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Is the Stock Market's Upswing Warranted?

Foreigners Cling to Our Securities Because Europe Foresees American Prosperity

By H. M. P. ECKARDT

[Mr. Eckardt, whose name is familiar to many of our readers, is an experienced banker, the author of "A Rational Banking System" and other books on banking. His views as expressed in this article are of unusual interest.—EDITOR.]

INVESTORS and speculators in every part of the United States and Canada have been puzzling over the all-important question of the market trend in the remaining months of 1915. Some hold that the improvement scored in March and early April should be taken as the initial movement of a great upward swing, and others hold that present conditions do not warrant expectations of sustained rise in prices. Which party has the stronger case?

On the one hand, it is justly said that the destruction of lives, capital, and property on so prodigious a scale must necessarily impoverish Europe to a very serious extent; and an impoverished Europe could scarcely be expected to contribute importantly to American prosperity through buying our securities or products. However, the impoverishment of Europe in this sense belongs rather to the future. The belligerent nations for the time being are living in an atmosphere of credit inflation on a huge scale; and their large purchases of war munitions and supplies in North America have brought prosperity to quite a number of important industries.

FOREIGN SELLING.

A more immediate danger, so far as the securities market is concerned, is that connected with European selling of American securities. It was at first thought that if the market was thrown wide open European holders would be likely to realize *en masse*. This danger has passed; but it can yet be urged, with some show of reason, that if the market shows a disposition to rise further, transatlantic holders are likely to send over a large amount of stock, which would have a tendency to check the rise in securities and at the same time correct the abnormally low rates for sterling exchange.

In this connection it is always to be remembered that a sharp rise in stocks at New York while sterling exchange sells so low presents a double reason for European selling. The Britisher, for example, gets the additional several points represented by the rise in stocks, and he also makes a fine profit on transferring his money to London.

With reference to the question of British and French selling in this market, it is necessary to bear in mind that there is strong conviction in England and France

that the United States is about to enter a new era of prosperity. Consequently there has been strong reluctance to selling on their part. In their home markets, as a result of the exceptional measures taken by government, money has been comparatively cheap and easy as regards short date loans. Inasmuch as many of the holdings of Americans still show losses on the purchase price, and as no great difficulty has been experienced in carrying the stocks, the disposition has been to hang on and await the maturity of American bonds, notes, etc., held in London or Paris.

The $80,000,000 of New York notes maturing last fall gave an example of the Anglo-French policy in this regard. These notes were of course paid at par at maturity, and holders were not required to write off anything for losses.

The New York *Journal of Commerce* recently published an estimate of American notes and bonds falling due in 1915, 1916, 1917. The 1915 total is about $772,000,000, and includes such items as the following:

$86,827,000 Pennsylvania convertibles, October; $35,000,000 Baltimore & Ohio notes, June; $37,100,000 Lake Shore, May, September and December; $101,500,000 New York Central ($34,000,000 due last January); $19,927,000 New Haven, May.

It is understood that a considerable part of all of these issues are held in London and Paris. They can be realized on without loss, and it is very likely that London will, as a rule, take this means of financing itself instead of selling stocks. Of course if Wall Street quotations were to rise rapidly there would be extensive sales by London as the various issues passed the points at which they could be profitably sold.

Following out the suggestion, one is driven to these conclusions: To take up the maturing notes and bonds held abroad, bankers in New York will be obliged to make a market for them here, and we may reasonably expect to see a succession of new security issues. Successful flotation of these will demand that the credit facilities here be ample. Fortunately public opinion in America in regard to railway and corporation legislation has undergone considerable change in the last year or two. Also in certain instances there are signs of improvement in railway gross and of substantial operating economies. Thus prospective investors are permitted to hope that the issuing corporations will improve their positions.

CREDIT EXPANSION.

So far as credit facilities are concerned there seems to be no doubt as to the ability of the American financial institutions to undertake a large expansion. Means will be found of utilizing the expansive capabilities of the Federal reserve banks. This will not be difficult to accomplish even though the reserve banks cannot directly make loans on securities. By means of acceptances and through utilizing commercial paper held by them, the banks connected with the securities market can supply themselves with the credits necessary for financing large new issues of securities.

Of course firmness and an upward tendency in stocks must be in evidence if large amounts of new securities are to be placed here. The inference is that the big men will lend vigorous support when needed. If they have to find speculative or investment purchasers for great quantities of railway bonds and stocks they cannot allow Wall Street to drop or languish.

Speculators and investors should not lose sight of the huge wheat crop of 1914, which was on the whole sold at very profitable prices. At the time the crop was harvested this item on the credit side was largely balanced by the extremely low price for the South's cotton and the entire cessation of cotton exports. With the subsequent rise in cotton prices and the tremendous development of the export trade in war supplies, the offsetting factor has largely disappeared.

Another important point is found in the great efforts being made in all of North America excepting Mexico for production of big crops of cereals in 1915.

Again, the possibilities in the way of credit expansion (apart from that related to the stock exchange) in connection with the Federal reserve banks are very great in all parts of the country. Credit expansion, too, is all the more likely to

occur because of the long period of depression, liquidation, and government attacks on business and the corporations, which has apparently just come to an end. Any era of credit expansion on a large scale is almost invariably evidenced by activity and buoyancy in the stock markets.

THE STOCK MARKET.

From the foregoing it will be seen that, apart altogether from the question of the end of the war, there are points in the situation which lead one to take the view that the stock market outlook in New York for the near future is favorable. Even if the war goes on, providing Germany and Austria do not win great decisive victories, there might easily be good advances in stocks, checked from time to time by realizing sales on the part of European holders.

In case of some industries, the end of the war would represent the end of a period of exceptional profits, and the securities of such companies would necessarily be affected by that circumstance. In any case there are likely to be large issues of foreign securities in the New York market at attractive rates of interest. If the war goes on, the proceeds of these flotations will go to Europe in the form of dry goods, foodstuffs, boots and shoes, auto vehicles, guns, rifles, ammunitions, horses, etc., bought at very high prices.

If the war ends within a few months, expert observers are likely to read the signs of the times well in advance; and as Wall Street reaches the conviction that peace is in sight this would be reflected by strength in stocks.

At conclusion of the war there would still be great necessity for large issues of foreign securities in New York. Then New York would be called upon to assist in the great work of funding the vast amount of short date loans issued by the belligerents during the past nine months. So far as American trade is concerned one might expect that the losses in exports of war material would be more than made good by the resumption of sales to the blockaded belligerents and to neutral nations contiguous to them.

While the points here brought out appear to favor improvement in Wall Street prices, probably a number of experts have the opinion that the rise in prices, if it occurs, may prove temporary. There is the danger that the credit expansion, above referred to, may not be conducted wisely and carefully. If carried to undue lengths, or if many unworthy parties receive large credits, there is likely to be a setback or collapse.

Again, nothing has been said about the rate of interest. If interest rises to a high level during or after the war, that will necessarily tend to keep stocks down, but in a period in which a new banking system is engaged in a big credit expansion, interest is not likely to be high. The high rates come when the system is approaching the limits of its capacities. So we can be sure that, in the event of a good rise in stocks, there will be plenty of selling by well-informed holders as each successive stage is reached.

PERSONALITY

Personality is a particular combination of human traits bound up in one package. Brains add nothing nor detract.

Personality is a man's only asset. Without it he belongs to the silent majority. His name is husband.

To have brains without personality is like having a gasoline tank without a carburetor.

Personality without brains can easily be a success. It can make—it often has made—a success out of failure.

Personality is the only form of successful human advertising. It enables us to identify the product.—Life.

American Business and the Great War

Make Hay While the Sun Shines—How War Booms Collapse—Present Boom Is Just Beginning

By PAUL CLAY

Article VI.

FOR any business man to imagine that it is of no great consequence whether or not he shall strive to take advantage of the war boom in American business would be a mistake so great as to amount to an irreparable blunder. Moreover, this statement applies equally to banker, stock broker, bond house, investor, miner, manufacturer, trader, transportation company and farmer. There is scarcely a business man or an individual in the whole United States who can possibly afford to miss the profits of the war boom, for everyone will need these profits to carry them over the succeeding depression.

There is only one business policy that has ever succeeded in war times and the period succeeding a great war, and that policy is to accumulate profits during the war boom with the utmost vigilance and energy, and to invest these profits before the boom is over in securities of the very highest stability, no matter how low the yield may be. If business principles and past experience are any guide to the present situation, a United States bond yielding 2½ per cent. will within two or three years when this boom reaches the breaking point be a better security for anyone to hold than even the best and soundest corporation stocks and bonds yielding 5 to 6½ per cent. Nor is the case of a person dependent upon the income from his securities any exception to this general rule, for there never yet has been a war boom in business that did not culminate in a drastic bear market, causing even high grade bonds to show very heavy shrinkages in price.

Calamity howling is no part of this series of articles, and the pith of my message has been that a boom in business and a bull market in stocks are warranted by every rule of experience and economics, and are bound to occur. Since the series began they have actually been occurring. Railroad stocks, for example, have gone up 11 points on the average, and this in itself is a big beginning toward a bull market. One might call it a fourth of a bull market, because it takes a great boom to send them up 40 points. However, the fact is that there is ultimately no escape from the evils, losses and destruction of war.

Now is the time to look forward to those evils and losses, and to prepare against them. Furthermore, if the MAGAZINE OF WALL STREET now tells you that this war in all probability will be followed within two to five years surely by a severe depression and probably also by a financial panic, there is the consolation of the boom to take place in the meantime. When, however, the boom is at its height, over-confidence will be so rampant and the commercial and financial skies look so roseate that 95 per cent. of the business world will be living in a fool's paradise, and no one will believe the very plainest and most conspicuous signs of panic. In the spring of 1907 every financial writer who had the courage to point out the thousand evidences of coming panic was both ridiculed and snubbed. Thus from every point of view the present is the proper time to consider the financial consequences of war.

AFTER-WAR DEPRESSIONS.

Following the Napoleonic wars which ended in 1815 business in Great Britain went from bad to worse, and did not really begin to revive much until 1827. Even then the revival was very slow until 1834. British imports were only 37,700,000 pounds sterling in 1826 against 39,300,000 in 1810, whereas they normally should have shown an increase of about 5 per cent. per annum. Exports in 1826 were only 31,500,000 pounds against 51,600,000 in 1815. Here was an immense slump, and the condition of domestic trade was no better. England then as now was a highly commercial nation, and its import and export trade was

a much more infallible measure of the condition of all business than has ever been the case with the United States.

Coming down to later dates, the panic of 1866 in London was the direct consequence of the war boom occasioned by the Civil conflict in the United States, and the panic of 1873 in the United States was caused by the same conflict. The Crimean war similarly resulted in panics or depressions throughout Europe, and even the short Franco-German war for a time had serious business results.

Having noticed the mere fact that these panics or depressions actually do occur, the questions are raised whether in the past they have been accidental on the one hand or unavoidable on the other, and whether there have not arisen some new conditions or financial machinery whereby such panics even if unavoidable in the past cannot be averted in the present instance. To answer these questions it is necessary to briefly analyze the nature and causes of these depressions.

Post-bellum panics differ from other panics in one very important respect. This that they have a double cause instead of a single cause. Financial panics in times of peace are caused by the exhaustion of capital supplies, and this in all its phases is the whole cause; but in times of war or shortly after great wars they have as their cause not only the exhaustion of capital supplies, but also the sudden disappearance of the huge business in war supplies. The difference is important because the double cause makes the post-bellum panic doubly apt to occur.

One should digress for a moment to observe the precise causes of panics in general. Both politicians and economists have often wasted upon the subject a vast concourse of learned words and phrases with empty meanings; but sifted down to the pith of the matter a panic is the sharp contraction of both credit and trade which occurs when the supply of liquid capital or loanable funds has become so exhausted that general business can no longer expand. Business expansion always and necessarily involves a steady increase in the total amount of borrowing. A typical merchant, in order to carry a larger stock of goods must have larger loans from his bank with which to finance their purchase. Now as prosperity increases into a boom, and as a boom swells into inflation, one business man after another increases his stock of goods or production or traffic, and correspondingly increases his borrowing at the banks or elsewhere.

So long as the additional loans are available, the boom goes merrily along; but when the time comes that the banks have no more money to lend each business man is short of money and calls upon every other man to pay up. Every other man in turn repeats the call, and every debtor to enable himself to pay, and thus avoid bankruptcy, sells his merchandise or securities post haste until it comes about that in merchandise as well as in real estate, stocks and bonds there are all sellers and no buyers. Maturing loans are sold out in default of payment, the debtors withdraw their deposits from the banks to make payment; the banks call in more loans to keep their reserves good; and everywhere the rush to obtain every available dollar with which to avert insolvency causes panic and failures. This in one form or another is the history of every collapse in modern times.

FIRST WARNING OF PANIC.

Now the first premonition of panic during a war boom is a rise in interest rates distinctly above the normal level and a continuance above that level. The rate of interest is the price of capital, and this rise merely indicates that capital is getting scarce, and the scarcity when it becomes sufficiently acute is sure to be followed by a universal calling of loans and a collapse. Such a rise in interest rates in order to be a valid danger signal must not be either local or temporary. It must be world-wide. So long as the scarcity in any particular locality can be relieved by borrowing in any other place, a collapse can be averted, but when the whole world is short of loanable funds there is no source of relief and the crisis is bound to occur.

For example, in May, 1866, when the Overend Guerney panic occurred in London, there was not a nation in the civilized world in a position to give any assistance. The United States had used all its capital to finance the Civil War, and the business boom which accom-

panied it; France was in the midst of an agricultural depression and a tight money squeeze; Belgium was just emerging from the "cotton crisis" of 1864; Germany was not a capitalist nation; and London had to suffer the consequences of her own folly. That folly consisted in the vast over-capitalization of joint stock companies referred to in the previous article, and in the widespread investment of capital in unproductive enterprises.

Our own panic, which occurred in 1873, might well have taken place in 1869 but for outside assistance. Interest rates in New York gradually rose from 4½ per cent in the summer of 1863 when the war boom began, to more than 8 per cent. in the fall of 1869. However, the ruling rate for money in London was only 3¼ per cent, and a crisis was avoided through importing gold and borrowing abroad. Furthermore, the panic might have been postponed to a much later date than 1873 had not the Franco-German war done so much in 1871 to absorb the loanable funds of Europe. Interest rates in New York were no higher in 1872 than in 1869, but the difference was that we were no longer able to borrow heavily in Europe. Another difference was that in 1873 the cash reserves of all banks in the United States were down to 12.4 per cent. of deposits, as compared with 25.9 in 1869 and 35.4 in 1867.

Prior to the Overend Guerney panic in London the ruling rate for money had risen to 7.4 per cent. on the annual averages; and this was as high a rate for London as 10 per cent. would have been at that time for New York. In both cases it was the exhaustion of capital due directly to the war boom in business, and in part indirectly to the war absorption of capital that caused the panic. British consols in that panic fell to 84⅝, as compared with a high of 91½ in 1865 and 94¾ in 1862. American stocks were not affected because it was purely a British collapse.

As to the manner in which a war boom uses up all the liquid capital we are already having a foretaste. It has been announced that a number of different concerns are building new plants, or construction extensions to old ones, in order to be able to supply the war demand for their goods. This is a very natural thing to do, and has been done in every country under similar conditions; but this does not make it wise, profitable, or conducive to the public welfare. When the war is over these plants are pretty certain to be partially or wholly idle, and the permanent investment in them is unlikely to earn even its interest charges.

Such was the case with hundreds of companies in Great Britain between 1815 and 1830, and between 1864 and 1866, and in the United States during the early seventies. The physical properties of corporations usually depreciate at the rate of 4 to 8 per cent. annually; but in view of the relative shortness of modern wars a plant built to furnish war supplies should charge off to depreciation a sum equal to 25 to 60 per cent. of its total cost every year. Naturally the builders of these plants hope that by the time the war ends they will get enough new commercial business to keep the plants going, but such hopes are seldom or never realized. Business instead of showing sustained improvement after the end of a great war, enjoys a sharp spurt and then slumps.

We have already noticed that it took England about 15 years to get over the depressing effects of the Napoleonic wars, and it may be added that it took the United States at least as long to recover from the waste and extravagance engendered by the Civil War. Financially the worst feature of war is that it places all values upon a fictitious basis. People cease to think what anything is intrinsically worth and learn to consider only the question what they can force the other fellow to pay for it. The producer of war materials charges the belligerent governments exorbitant prices for guns and ammunition; the clothing dealer charges exorbitantly for clothing and footwear; the flour mill and the farmer exact high prices for wheat and flour; the labor union compels the employer to pay dear for labor; and the whole spirit of the times is the spirit of commercial robbery. Hence it was that Jevons index number of commodity prices rose from 99 to 158½ during the Napoleonic wars, and Dun's index number rose from 121.6 to 312.7 during our Civil War.

PRICES WILL FALL.

A disastrous after-effect of this spirit of commercial robbery is that prices decline for a long period of years. Now a fall in goods prices always tends to depress business, for the buyer and consumer when prices are falling always waits for a little additional concession. Hence the producer and seller is always obliged to shade his margin of profit a little and figure a little closer. Merchants and producers plan their business and estimate their future profits upon the basis of existing prices, whatever they may be. Hence it is that rising prices stimulate trade while falling prices have a net depressing effect. In view of these facts it is highly significant that commodity prices in Great Britain suffered an almost continuous decline from 1818 to 1833, and that in the United States the decline was without much interruption from 1864 to 1897.

In both instances there were, of course, powerful factors other than the mere war inflation which tended to depress prices; but it is nevertheless true that the post-bellum price readjustment was not completed for fifteen years after the Napoleonic wars, nor for thirty-three years after the Civil War. One should, however, remember that the war depression of business practically ended in Great Britain in 1827, and in the United States in 1877 or 1878.

These post-bellum depressions or panics are always accompanied by one or more bear movements in securities. After the Napoleonic wars British consols fell from 72½ in January, 1815, to 53⅞ a year later, then rose to 84¼ in December, 1817, and fell to 64⅞ in May, 1819. The Bank of England stock showed a general upward trend to 294 in 1817 and then declined to 193 in 1826, when the depression was at its worst. In 1823 its dividend was reduced from 10 to 8 per cent. In the United States after the Civil War stock prices measured in gold continued upward until November, 1872, and then in a single year suffered a violent decline of 50 per cent. The bear market of the seventies was more violent than any others in the whole history of the United States excepting only those of 1857 and 1884.

For the present one must logically expect a continuation of the war boom in business. When this boom will end no one can tell, but there seems to be no danger that it will end until sometime after the war itself ends. Furthermore, the treaty of peace should be followed by a short and sharp improvement in trade activity, due largely to the prevailing delusion that peace will bring immediate prosperity. After the end of the war and the spurt in business, bank reserves and interest rates will become the most important financial statistics in the world. They will doubtless foreshadow the collapse in time to give ample warning; and when interest rates, both call and time, rise and hold above 7 per cent. in New York, and above 6 per cent. in London in time of peace the wise investor will drop from his list of holdings everything but the most stable and best secured mortgages. Meanwhile the boom itself should enable investor, producer and merchant to accumulate very substantial reserves.

(*End of the Series.*)

The Chewing Gum Method

Are you a "chewing gum" trader?

No, "Chewing Gum" has not been listed on the Big Board as yet; what is meant is, do you follow the "chewing gum" method in selecting the issues in which you trade. It seems to have been quite popular of late, although we would hesitate to recommend it. The method has been described as follows:

"Take a slab of chewing gum on any Monday at the opening. Reduce to an adhesive condition through vigorous mastication. Mould in form convenient for throwing. Throw at the quotation board. Buy or sell, on the toss of a coin, the stock indicated by the spot on the board to which the chewing gum adheres. Close out your trade on Saturday."

MONEY, BANKING AND BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

What! Railroad Men Bullish?

IT has been a long time since we heard anything but dirges of woe from most of the railroad men, but several of them are now beginning to sit up and take a little nourishment. Perhaps they were long of stocks—as "conservative investors," of course.

And what is still better, their faith is beginning to show itself in works. The Pennsylvania has announced that it will spend $30,000,000 for equipment for the System both east and west of Pittsburgh. The Chesapeake & Ohio is in the market for about $5,000,000 and the Northwestern for $3,000,000. These are not large purchases compared to the requirements for the whole country, but they may be the straw that shows which way the wind blows.

These are the recent comments of a few railroad leaders:

E. R. Thomas, President of the Lehigh Valley: Business should face the future with confidence. We will soon award contracts involving an expenditure of pretty close to a million dollars, this expenditure being justified by improved business conditions at this time. We also contemplate certain additional expenditures thereafter, as conditions improve in the manner I believe they will.

J. M. Hannaford, President of the Northern Pacific: The worst that can happen to the railroads in the Northwest has happened, and any change is bound to be for the better. There won't be a 100 per cent. jump into prosperity. It will be a steady but sure improvement. The farmers in the Northwest have taken advantage of the high prices they received for grain and have paid up their mortgages on their farms. Now they are looking for new farms, and land is in demand. This condition will reflect favorably on the railroads.

Julius Kruttschnitt, Chairman of the Southern Pacific: The feeling of the people throughout the West seems to be good. In California there is much activity on account of the two fairs.

The smelting business shows some improvement. Many of the smelters are working longer hours and are turning out more ore.

The lumber business is not good, and many of the sawmills are closed. There is also a small movement of cattle over the Western railroads.

Sentiment throughout the country seems to be distinctly better. The people as a whole are gradually getting educated to the new conditions of affairs.

Sir Donald Mann, who built the Canadian Northern: There is a general financial revival in Canada as well as in the United States. The swing of the pendulum toward better business conditions was inevitable both in Canada and the States.

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Judge Gary Still a Booster.

AT the meeting of U. S. Steel stockholders the Judge took an apologetic tone in regard to the passing of

"WHY, IT'S STILL A-POPPING!"
—*Philadelphia Ledger.*

the dividend on the common stock. He set forth the situation as follows:

I assure you that the country will prosper. Our position among nations of the world is taking the lead. Finance, industry and commerce are better today than ever before. I hope that holders of our common stock, even while not getting dividends at present, will not despair and sell it for something that they may like better.

Our business for 1915 is much better than 1914. We are doing a very satisfactory export business, but domestic conditions are not so good. We are running about 70 per cent. of capacity. Prices are not and have not been satisfactory and therefore our profits are small. I think earnings for first quarter of this year will be small.

Prospects for the second quarter seem to be considerably better. Prices are going up a little and if the volume remains the same, earnings will be good, while an increase in business would, of course, mean better earnings.

We are not yet assured that we may not have to cut wages, but we hope we will not be forced to.

Other interesting opinions:

Vice-President Kingsbury, of American Telephone & Telegraph: The general situation is looking up and there is a return of confidence all along the line. Crop conditions in the West, from what I observed and from what persons told me, are fine. There is a big acreage planted, especially in wheat, and the present indications are that crops will be splendid. The telephone business is on the gain practically all over the country. Transcontinental business is going ahead normally.

W. C. Van Antwerp, a Governor of the New York Stock Exchange: Here is business, ready and eager to go ahead, deeply imbued with the new spirit of trusteeship, of decency and of fair play. Here is labor, standing on the threshold of new cooperative partnerships and profit-sharings, reinforced by a sympathetic code of social popular ethics never before known in industrial history. Here are the demagogies of yesterday discredited, disowned; and here are the new leaders, openly inspiring business men to go ahead.

There is no reason whatever for losing courage. American business life is today built on solider foundations than ever it was; its normal framework is based on Character and Golden Rule as never before. I firmly believe that the next ten years are to be the best years of our lives—best because freest from greed and selfishness—best because fullest of normal and material profit. Let us all get together and stay together.

Another Stock Exchange Governor: The United States has been economizing for the past eight months in a way that it has never economized before. The result is, of course, an easing in the money market. Funds have accumulated and now people, with returning confidence, are seeking not only to invest these funds but to speculate with them as well. There is certainly nothing hollow about this market.

THE NEW GOOSE STEP.
N. Y. Telegram.

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For Once, Outsiders Have Been Right.

WITH a long string of million-share days in the stock market, with prices bounding upward all through the list, and with memberships selling at $63,000 against $34,000 a few months ago, Wall Street has assumed an air of unwonted cheer. But it has been the outsider who has been right and who has made the most money. The Street's vision was too narrow to enable it to follow to the full the big up-swing. As the *Odd Lot Review* puts it:

One of the thorns which have been most irritating in the sides of Wall Street veterans who have not shared in the fruits of the rise is that it has been rank outsiders who, in many cases, have made the handsomest profits.

"It's the fools who've been winning," said a veteran student of the rate who, for three months past, has been waiting for an opportunity to get into the market but who, at

successive levels, has deemed the price too high.

It is true that some of the most sophisticated people in Wall Street have been completely wrong in their market calculations for the past six months. It is also true that outsiders have made some of the most profitable commitments. Probably some of this outside contingent has been made up of mere gamblers who have happened to call the turn right. However, the reason that a great part of the public which was attracted into the market for the first time by the low levels of the war panic has made money, is because it has been right in its judgment.

That London selling has continued throughout the advance is well known. Keane, Zayas & Potts explain where a part of this selling came from:

The advance in prices here was followed up in London until prices reached a level which made it possible to close out speculative accounts there which were "locked in" by the closing of the London Exchange last July. Before the Exchange was reopened it was ruled that the loans under which these accounts were carried must be paid off as soon as prices appreciated to the point where it was possible to do so without loss. That point has now been reached for most of issues.

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Is the Kaiser Buying Our Bonds?

OBSERVERS are not all agreed as to the amount of Europe's selling of our securities. Some believe that such selling has been very heavy, and have evolved the interesting theory that foreign nobility is salting its funds down in American bonds as the safest place in sight. Says the New York *Commercial:*

The best informed international houses estimate that Europe has sold 2,000,000 shares of American stocks and $800,000,000 bonds in New York since the war broke out and that the total value of these securities exceeds $2,300,000,000. The recent advance has given fresh impetus to this liquidation and some brokers estimated the sales for foreign account at 100,000 shares a day, together with considerable liquidation of bonds.

If these estimates are within measurable distance of the truth this liquidation would pay for all our excess exports and add $1,400,000,000 to what we owed in Europe when the war broke out. To meet this we would be exporting gold as well as commodities, dollar exchange would be at a discount and sterling bills, francs and reichsmarks would be above the nominal gold export point in New York. One theory to explain the actual position is that Europe has bought bonds as fast as it sold stocks and it is now buying bonds faster than it is selling stocks. If the German Kaiser and other potentates and nobles are not buying here the rank and file of European investors must be leaving their surplus funds on this side of the Atlantic. Exchanges on Berlin and London are very weak, yet open selling of securities for foreign account has been very heavy. It is impossible to "rig" the foreign exchange market, but the story it is telling now is hard to understand.

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Is the Advance Over, or Just Begun?

MOST of the brokers believe we are in the early stages of a prolonged bull market. They are quite willing to admit that reactions will come and that some of them may be important, but for the more distant future they are nearly all uncompromising optimists:

Renskorf, Lyon & Co.: We believe that the character of the market will change henceforward. We are not prepared to say that the advance has discounted the merits of the specialties which have been so prominent. We do believe, however, that the buyer of stocks will turn to issues of seasoned merit now that the bug-a-boo of foreign liquidation no longer disturbs confidence.

Carpender & McClave: "When the American people have worn holes in their clothes it is time to buy stocks." When the American people buy new clothes and tell the

MANIPULATION VS. REAL INVESTMENT.
N. Y. Herald.

tailor and dressmaker that they will come in later and pay it is time to sell stocks.

In our opinion the outcome of existing conditions will inevitably be a time some months, and probably some years, from now when the prices of 6 per cent. stocks will be so close to double what they are selling at now that the income return will be similar to that produced in times like 1906. That time will come when the American people have become as extravagant as they are now economical.

* * *

The Financial Press Inclined to Caution.

THE New York newspapers cannot in this instance be accused of encouraging the public to buy indiscriminately. Most of the papers have sounded a distinctly conservative note. The following extracts are of interest:

Times: There never were million-share days like those of the present market, in the opinion of many experienced members of the Exchange. They are public made and sustained by the public, through the medium of countless purchases in 100 and 200 share lots, whereas the big markets of other years were under the guiding hands of operators who thought nothing of buying 10,000 shares or 20,000 shares on a single order, and accumulating stocks until the psychological moment come to unload. Frequently guidance was imparted to the market through flagrant manipulative tactics. In yesterday's million-share session there were few transactions recorded which ran as high as 2,000 shares. A 5,000-share order has become a rarity. Instead, the ticker hums with an outpouring of strings of sales in 100-share lots. The inference is that a very wide public following has been aroused, whose speculative proclivities and pocketbook are content with a relatively small risk.

Sun: Only the public can make major movements in the stock market and the public is making the present market. But the public is receiving the active assistance of the most speculative element in the Street. The type of speculator, professional or outsider, who was lately responsible for the pyrotechnics in Bethlehem Steel is turning his attention to other things. In this crowd are the people who were lucky enough to get in at the start and are now flushed with phenomenally quick profits. Pools of all kinds are also at work. Some of these pools represent a distributive campaign of the most elementary kind. That is, several of them are in stocks, practically none of which was in the hands of the public when the movement started. This great rise has created a species of hysteria in the mind of the Street, which is being exhibited in the circulation of rumors of the wildest sort. Not since 1901, old-timers say, has there been such an orgy of rumor mongering. Under these circumstances it would not be surprising if an unhealthy condition should be built up with pyramiding and other speculative excesses, at least in some of the specialties. The market may be stronger than some features of it suggest. It probably is. But no matter how strong the foundations there is always the danger of overtrading by speculators of the gambling type.

American: When speculation runs riot it is well to recall that stocks can move more than one way—down as well as up.

The strongest financial and industrial interests are not participating in the speculative spree.

Therefore, when they consider things have gone altogether too far, they may step in and wipe out every ten-point margin trader in the market.

This has been done before.

I know, or think I know, some of the plungers who have been whooping things up recently, and they certainly are not of a class or character now held up as models.

Bank officials scrutinize collateral in stock loans more closely each day. Some banks have established 100 as the loaning price on Bethlehem Steel and demand a margin of 25 points. This means that $75 per share is actually loaned. Goodrich is debarred from several institutions and Studebaker is only accepted in small quantities at others.

* * *

Copper Metal Now in the Lime-Light.

NEVER before has copper been of such supreme importance in any world-crisis. We might almost say that the war has simmered down to a question of ammunition. Thus the London *Times:*

When the Germans wrench copper doorplates off Brussels offices, and order in Sweden hundreds of solid copper statuettes of the redoubtable von Hindenburg, they are simply dealing with one phase of the problem as it touches themselves. When British battleships are sunk in the Dardanelles, they are lost in the attempt to clear a pathway by which more shells can be conveyed to Russia.

When the British government seeks to adjust unhappy labor difficulties and set about the organization and control of certain branches of industry, the primary consideration which influences them is the overwhelming importance of increasing the output of shells.

Every combatant, with the possible exception of France, failed at the outset of the war to realize fully the magnitude of the requirements of artillery ammunition. Germany showed no more foresight than the rest.

Nevertheless Germany is able to get

some copper, in spite of the fact that it is contraband and the Allies control the seas. The Rome *Messaggero* explains how it is done:

The headquarters of the German traffic in contraband is at Barcelona, and goods from America, both North and South, are received at this Spanish port and reshipped to Amsterdam by way of Genoa. Goods leaving one neutral port for another, and dispatched thence to a neutral town, cannot be confiscated. Germans at Genoa see to the prompt expedition of cargoes from Barcelona to Amsterdam by rail via Switzerland and Germany, the only route open to such traffic, and then report the departure of the goods to the German government.

The loaded trains pass through Switzerland and cross the German frontier. Once on German soil they are stopped and emptied of their contents. The fictitious receiver in Holland never complains of not having received his consignment, but on the contrary sends a telegram announcing the arrival of goods which have really remained in Germany. In this way considerable quantities of contraband goods find their way into German territory.

D. C. Jackling, general manager of the Utah Copper Co., is quoted as follows:

With regard to copper the Western situation is particularly satisfactory. This is quite a relief from the experiences of the latter part of last year. All the properties of the Utah are gradually working up to normal output, and the outlook for a continued broadening of the scope of operations is very favorable, but of course depends to some extent upon the developments abroad.

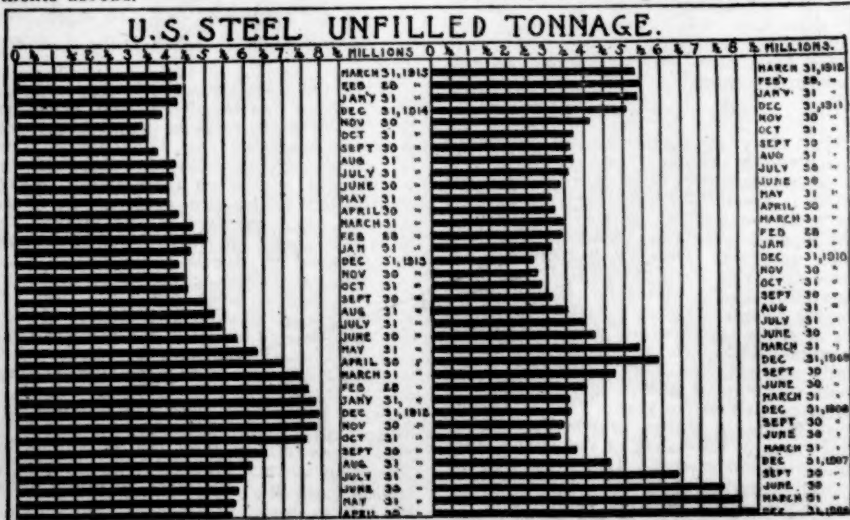
Steel Slowly on the Mend.

THE iron and steel business depends for its prosperity upon new construction and it could not be expected that construction would be large during the world's greatest war, when the principal use of capital is for destruction. Nevertheless it is clear that conditions in this industry are on the upgrade. The pig iron situation is described as follows:

Pig iron sales have been of various sizes and well scattered grades. Deliveries for the most part call for the third quarter and last half. The increase in business is not great, but nevertheless the growth is gradual and sure. Prices everywhere are firmer than they have been in months and it is felt that the lack of profit at present prices will result in higher values.

The First National Bank of Boston, in printing the comprehensive graphic of unfilled orders which we reproduce herewith, says:

The unfilled tonnage of the United States Steel Corporation was perhaps the first index of importance on which people relied as foreshadowing betterment in general business. Although these figures are still far from normal they have recently shown steady improvement; beginning with last December, the unfilled orders, in spite of gradually increasing mill operations, have steadily increased. The March figures, however, show a slight decrease.



THIS CHART SHOWS THE UNFILLED TONNAGE OF THE U.S. STEEL CORPORATION AT END OF EACH MONTH GIVEN SINCE DECEMBER 31, 1906.

Food for Bulls

Comparisons and a Forecast

By W. W. COFFIN

THE writer believes that the following comparison of conditions as they existed in August of last year and as they exist today, will prove of interest in connection with the comment that has been aroused by the activity and advance of the market in the last few weeks.

In the long run, the prices of securities represent a fairly accurate barometer of conditions—either as they exist, or as they are expected to exist in the comparatively near future. Thus, on July 31, when stocks broke to the lowest level in years, they were merely discounting the outbreak of the war and the chaos that would result from this cataclysm. Today stocks should represent business conditions as they now exist or as they may be expected to exist six months from today.

The question which the writer wishes to raise is this: Has the change in security values, since July 31, been sufficient, in view of the change in the economic, political and industrial situation? The "deadly parallel" given below will give an answer to this question.

AUGUST, 1914.

The Situation Abroad.

War situation very alarming. Germans sweeping Belgians, French and British before them. Indications that Paris may fall. Rapidity with which the German heavy ordnance sweeps away Belgian and French fortification, arouses much fear as to what the Zeppelins may accomplish when they are brought into play. Developments show that Germany has caught all nations unprepared and may be able to sweep away the opposition of Europe as did Napoleon a century earlier.

Conditions in the U. S.

Cotton practically unsalable. The largest crop in the country's history selling at five cents a pound, or 40 per cent. below estimated cost of production.

Copper metal practically unsalable metal being offered at 11½ cents with almost no sales. Large producers reducing production to 50 per cent. capacity. Domestic demand very poor and no export sales.

Money unobtainable for new collateral loans of Commercial paper. Nominal rate 9 per cent., but this was for renewals only. New York City a little later on obliged to pay 9 per cent. for two and three-year funds. Emergency currency being issued in enormous quantities. Bank deposits decreasing at an alarming rate. Reserves far below legal requirements and clearing house certificates in use. Monetary conditions so bad that New York Clearing House does not issue statement of actual condition.

Foreign Exchange market demoralized with exchange practically unpurchasable. Sales of exchange reported at $7.50 and American bankers reported to be short of $100,000,000 of exchange. Practically no shipments of American goods being made so that there appeared to be no prospect of selling our enormous debt to Europe Gold being exported in large quantities.

APRIL, 1915.

The Situation Abroad.

The beginning of the end of the war now plainly in sight. Germany has accomplished practically nothing in the last seven months. Russia becoming a serious menace to Austria after having captured the important Carpathian passes. The opening of the Dardanelles apparently only a matter of time. Many reports of shortage of food in Germany. Recovery of some French territory by French and British troops.

Conditions in the U. S.

Cotton steadily advancing. Price nearly 11 cents per pound. Situation in the South now approaching normal because of the great increase in the value of the crop.

Copper metal selling at 18½ cents, the highest price in years. Mines now producing at nearly full capacity. Domestic demand excellent, as brass foundries are running overtime; foreign demand improving.

Call money 2 per cent. Time money 3 to 3½ per cent. Commercial paper selling on lowest interest basis in history. Enormous bank reserves, surpluses being larger than at any time in history prior to 1915. New York banks have excess reserve of over $145,000,000. Federal reserve act in successful operation. Practically all emergency currency retired. Federal Reserve banks in United States have gold reserve of over 80 per cent. and cash reserve of over 90 per cent.

The dollar only coin in the world selling above parity; marks at a 13 per cent. discount; the pound at a 2 per cent. discount; the franc at a 4 per cent. discount; the lire at a 10 per cent. discount; the ruble at a 25 per cent. discount. Gold being imported in large quantities. Europe borrowing money from us through the sale of short term bonds.

AUGUST, 1914.

The only apparent benefit from the war at this time was the increase in the value of our cereal crops. The largest wheat crop in our history had increased 35 cents a bushel in value. Corn and oats up 10 to 15 cents.

APRIL, 1915.

Wheat more valuable than ever. Total advance amounts to about 70 cents. Corn and oats have also advanced. The 1915 winter wheat crop selling in Chicago about $1.35. Estimated crop over 619,000,000 bushels. Every indication that 1915 crops (except cotton) will be worth far more than at any time in history.

August, 1914: Exports very small: Imports large. Balance of trade heavily in favor of Europe.

April, 1915: Imports small: Exports very large. Balance of trade $150,000,000 per month in favor of United States.

August, 1914: Bank clearings falling off rapidly.

April, 1915: Bank clearings showing increase compared with a year ago.

August, 1914: Railroad earnings highly unsatisfactory. Interstate Commerce Commission grants railroads practically no increase in freight rates. Outlook for railroad earnings very unsatisfactory.

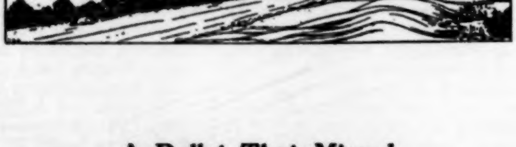
April, 1915: Railroad gross and net earnings showing improvement. Outlook much better, substantial relief having been granted roads on rehearing of rate case late last fall. New rates now in effect.

August, 1914: Practically no line of business in a satisfactory condition. Steel industry running 30 to 40 per cent. of productive capacity. Retrenchment in almost all lines the general policy. Securities almost unsalable. Public confidence shaken. Exchanges of the world closed for an indefinite period. Enormous liquidation of American securities by Europe still to be faced.

April, 1915: The automobile, ordnance, powder, leather, sugar, paper, rubber, smelting, foundry and many other companies doing a record business. Steel companies now running 75 per cent. of productive capacity. Securities rising. Investment demand satisfactory. Public imagination stimulated by sensational rises in special issues.

CONCLUSION.

The writer thinks that anyone who has read the above will feel that stocks have by no means improved as much as have fundamental conditions. He does not believe that the advance in the market will finally culminate until the price of stocks have advanced to a point where they will not only represent the improvement in economic conditions that has taken place in the last nine months, but where they also discount the tremendous revival in business which we feel sure is coming, and of which we see signs on every hand.



A Bullet That Missed

I WELL remember one man who considered himself a very brainy speculator. He came to me one day at the outbreak of the war and told me that inasmuch as a great many bullets would be needed, he had bought 500 shares of National Lead Co.

When I told him that their principal business was the manufacture of white lead he sighed and sold out his stock at a loss of over ten points.

Money and Exchange

Money Will Remain Easy and Exchange Rates Low

SO far as there is any change in money rates the tendency is toward slightly higher quotations, but commercial paper is still below the 4 per cent. mark for prime names at New York. The trifling fluctuations that are occurring have little significance. With rates at the present very low level the next considerable change must necessarily be upward. The general opinion of bankers is that a slow hardening tendency is to be expected for the remainder of the year, but with nothing approaching high rates. Our gold imports, strong foreign trade position and big bank surplus negative the possibility of high money rates for some time to come.

New York Clearing House members are still building up their surplus reserves, the excess over legal requirements being now $168,000,000. They also show an excess of deposits (including both net demand and net time deposits) over loans amounting to more than $35,000,000.

Such conditions almost remove the bank statement and the money market from the realm of practical consideration. All there is to be said is that money is very easy and the banks in an unexceptionably strong position, and nothing is to be seen on the horizon to change these conditions for months to come.

There are two reasons for the surplus of money in the banks. The first is the dullness of general business throughout the country. The stock market has advanced sharply by way of discounting expectations of better business conditions, but as yet the improvement is almost entirely prospective. At present business men do not need to borrow much money to handle the trade that is available to them. A few concerns are busy with war orders, but the importance of these in comparison with our domestic business has been greatly exaggerated.

The second reason is the timidity felt by business men and investors because of their knowledge of the tremendous waste of capital in the war. They hesitate to put their money either into securities or into business expansion in the face of this overhanging cloud. Hence money accumulates.

The continued weakness in exchange is more or less of a mystery. It is well known that sales of our securities by Europe have been very large throughout the recent advance in our stock market. Also the British joint stocks banks and the Treasury have combined to force up rates in Lombard Street, for the express purpose of advancing New York exchange on London. But neither of these powerful influences has had any apparent effect, unless it has been to keep exchange from going to still lower figures.

Our favorable trade balance, huge though it is, seems hardly to account for the extreme and continued weakness in exchange. The theory is advanced that while some European investors are selling in this market, others are buying from a desire to get their capital out of Europe and into the securities of the country which is being least damaged by the war. It seems reasonable to suppose that this movement is going on to some extent but it is impossible to obtain any definite proof that such is the case. It is known, however, that foreign banking houses doing an international business are carrying much larger deposits with American banks than before the war, in order to facilitate international transactions. Even this, however, seems insufficient to account for the weakness of exchange.

Gold continues to come to us from Ottawa and in smaller quantities from elsewhere, in spite of all London's efforts to prevent such a movement. The French loan recently arranged here operates to check the transfer of gold to us from Europe and undoubtedly a British loan will soon be arranged for the same purpose.

It is clear that while the war continues Europe will have hard work to keep our exchange rate at anything like a normal basis and that some gold must come to us in spite of all efforts to the contrary. In a way this is unfortunate, for we do not need the gold while Europe does.

Bond Department

Buying Bonds on Stock Market Indications

How the Investor Can More Than Double Income By Going With the Trend

BY FREDERICK LOWNHAUPT

THE stock market has at least three kinds of swings. Over a period of eighteen months to three years is the great long swing which when going upward is called the long pull. Over a period of several weeks or possibly two or three months there is another kind of swing somewhat shorter—this is called a secondard swing or short pull. Then there are still shorter ones lasting over several days or possibly ten days or two weeks—these are not generally known as swings, but are usually called fluctuations.

The bond market also has swings corresponding to these three kinds of movements in the stock market, but it is only one of these that counts for much so far as the investor is concerned. It is the big, slow, steady and irresistible motion that lasts over a period of two or three years on which the wise investor can accomplish much in the way of adding both to his income and capital.

When the stock market is at the bottom of a big decline prices of stocks are from fifteen to thirty points down from the high point. And when the stock market is down so low the bond market is generally very low on the average. Standard bonds are then generally from five to twelve points down from their high points.

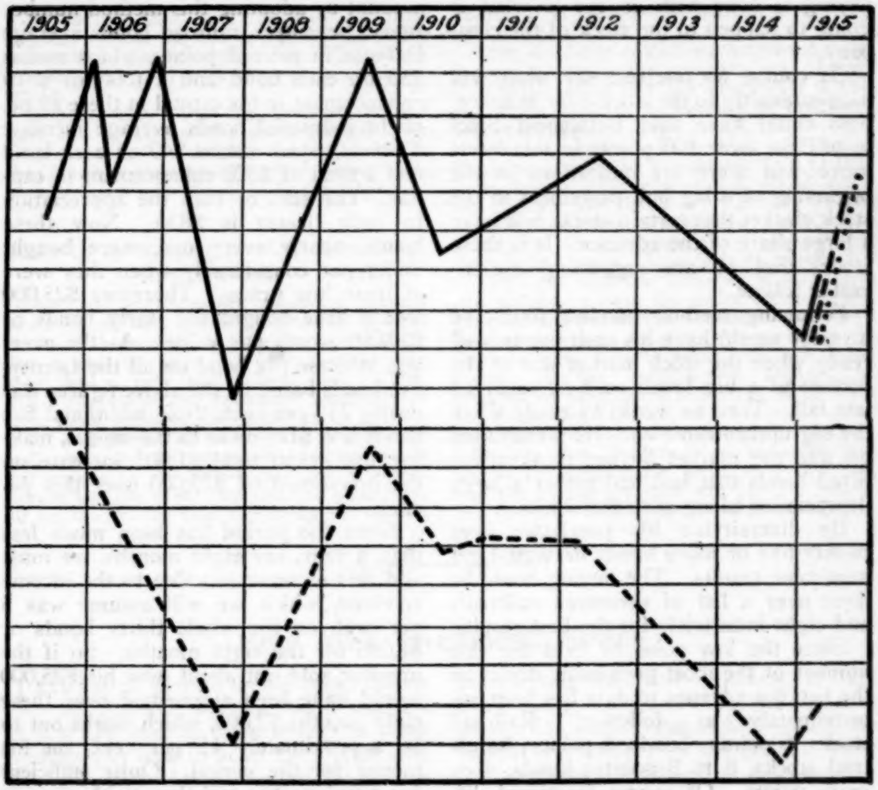
It is a safe guess, providing you do not know absolutely, from your study of prices and the trend, that bonds are cheap when stocks are cheap. In years gone by there used to be conditions where this did not hold to the great extent that it does now. Exactly why it would be hard to say. But a fair presumption is that in the years past investors were not so well informed as they are now, consequently they did not do so much reasoning as they do now.

That is to say, in the past investors clung rather tenaciously to a belief something like this: that when stocks were going down the conditions affecting them were bad; therefore it was time to sell out pretty well and hold your money or else get into bonds which were the absolute obligations of the company and whose interest was sure to be paid. Most investors rather than have their money lying about idle getting nothing or else little in the way of interest on bank balances went into bonds. The result of this was that bonds went up and were strong when stocks were declining. Nowadays, however, when an investor sees stocks tumbling he knows or thinks conditions are bad and decides more than ever it is time to get out of securities. So he sells not only stocks, but gets out of a lot of his bonds also. Of course everybody cannot do this. But enough people do this to affect the bond market severely. Of course, also, there are some cross currents in finance that help this condition along, but we will leave them out here as they do not bear directly on our point of making money by following the stock market in your bond buying.

Just to show how these big and secondary movements of the stock and bond price averages correspond the accompanying chart is illuminating.

The chart, however, while showing how the main movements swing together does show pretty well that only these bigger movements are worth while watching from the bond investor's point of view. It shows that the bond market works along in a steady sweep with very little intermediate change, while it is a fact that the stock market wabbles quite a good deal during one of those long swings.

Therefore we are trying to show how the long pull method works out in the bond market and what to do to properly take advantage of the movements.



MOVEMENT OF AVERAGE PRICES, 1905 TO DATE.

**Upper solid line shows movement of representative group of railroad stocks with five points between lines.
Lower dash line shows movement of standard bonds with two points between lines.
Short upper dash line is average of both rails and industrials combined.
Short upper dotted line is average of industrials alone.**

There are really four ways to handle one's investments. One is to buy any time on the basis of income, say 5 per cent., which is a conservative figure. In this method the investor makes his selections with reasonable care diversifying his purchases with regard to safety and accepts the 5 per cent. income as about what he wishes to get.

Method number two we might say is to trade in and out of bonds constantly. This, however, requires great technical skill. Bonds do fluctuate steadily, but in many the fluctuations are so small that only the most expert trader can make any substantial profits out of such operations.

The third way is to buy heavily at the bottom of a long swing in bond prices and wait for the inevitable upward trend which will add profits to one's account by increased prices.

The fourth way and the one which this article is emphasizing is buying at the bottom of these long swings, but not in the same way that would be done with number three. In the third way mentioned the buying is done in a general way with particular regard to the investment quality of the bonds.

In way number four the buying is done with a large regard to the price of stocks of certain companies. In this way the stocks that are most likely to appreciate greatly are picked out as giving the clue what bonds to buy. In other words, the

buying is done with an eye to what is going to happen to the stock of the company.

Of course no one can say what will happen exactly to the stock—for instance, who could have said Bethlehem Steel would rise over 100 points in this latest move—but there are indications in the beginning of a big bull movement in the stock market that certain stocks will have a large share of the advance. It is these stocks that we are suggesting the investor follow.

Following method number four, the investor would have his cash pretty well ready when the stock market was at the bottom of a big break such as occurred last fall. Then he would be ready when the big upturn came on. He would then go into the market buying those active listed bonds that had had rather a large depreciation along with the stocks.

By diversifying his purchases over twenty-five or more bonds he would get handsome results. The buying could be done over a list of seventeen railroads and eight industrials for the best results.

Since the low point of 1914 for this number of the most prominent stocks on the list, the advance to date has been approximately as follows: Railroad stocks, 6 points; bonds, 3 points; industrial stocks, 8 to 9 points; bonds, 4 or more points. Of course fractional differences would show in the average advance by using various combinations of securities. Nearly everybody that keeps this average chart gets a slight difference in result, but that is of no essential consideration. The figures upon which this article is based worked out as given.

Here then is the result to an investor's account by adopting this method number four. Seventeen railroad bonds average increase in price 3 points, which means $30 on each bond and a total of $510 enhancement in his capital in these alone. Eight industrial bonds average increase 4 points, which means $40 on each bond and a total of $320 enhancement in capital. The sum of both the appreciation in both classes is $830. Now these bonds, nearly every one, were bought under par considerably when they were at their low prices. Therefore $25,000 would have bought say thirty bonds or $30,000 worth par value. As the average increase per bond on all the twenty-five bonds based on the above figures was nearly 3½ per cent. these additional five bonds add $175 more to the capital, making the grand total $1,005 increase on the investment of $25,000 over this period.

Since the period has been much less than a year, say eight months, we must add this increase in value to the income received, which we will assume was 5 per cent. on the whole thirty bonds or $1,000 for the eight months. So if the investor sold out about now his $25,000 would have been augmented over these eight months $2,005, which works out to be approximately 11 per cent. on his money for the period. Quite sufficient for any investor and done with a great amount of safety.

A little careful study will show him now how he can reinvest his money at a good income for another while until the next opportunity comes along. Or possibly by holding a while longer this income can be increased even more than 11 per cent.

Bond Market Topics

American Market Opened to Canadian Municipals.

One of the financial papers of Canada has just recently compiled a list of Canadian municipals largely floated through the New York market. It is a revelation that few people might expect that have not kept in very close touch with investment affairs. It gives a list of prominent New York bond houses that have participated in or taken the whole of the issues under consideration. The latest is J. P. Morgan & Co., who have just offered $6,000,000 Quebec bonds. But other of the high class houses have done business in Canadian Municipals during the past few months. Such firms as Kissel, Kinnicut & Co., Wm. A. Read & Co., Spencer Trask & Co., Lee Higginson & Co., and others, all among the most conservative and established dealers, have been active in distributing this class of investment lately. For years the Canadian municipalities have been struggling to get into this market, although they had a good audience abroad, where in England most of these securities

were taken. The war changed all that. English capital did not come over so voluminously. Consequently the Canadians turned southward with the result as above stated.

It means this:—that the American houses have had a taste of the good things to be gotten in this field and it is more than likely that it is the opening of a much larger business of this kind to be done in the future.

What Is to Happen to Holders of Rock Island Bonds?

One of the biggest questions acutely again before the investment world is what to do with Rock Island bonds, particularly the debenture issue. A few months ago these had a very bad sinking spell. Then, when the dissenting collateral bondholders won their point in the court as to getting their collateral, the bonds had a big rise and, when the representative of these bonds got a place on the Board, they had more recovery and the stock likewise had a big rise; all on the theory that the company was to come out of its troubles without a receivership.

Then suddenly something happened. For a mere bagatelle the company was thrown into receivership and now everybody is asking again what is to become of the Rock Island bonds.

Anxious inquirers have been told by all the wiseacres in the investment field to hold their bonds, that everything would come out all right and that there was only a small chance that they would fare badly. The talk was of assessing these debentures; then it died away. Now it is on again.

The fight that the minority stockholders are making to have the order throwing the railroad into receivership vacated may result in such a way as to affect the question. It depends very largely what this will bring forth. If the receivership stands the chances of assessment are large or at least the debenture holders may get some other security as a preferred stock or the like.

At any rate, holders of these bonds will be on the griddle for some time to come, and the ruling question will be "To Sell or not to Sell," having had trouble enough.

Keep Your Investments Moving

THIS is no plea to create commissions or business for the bond dealers. It is a hint how to make money in bond trading and how to keep the undesirable securities out of your lists if by chance they have been taken up. The average investor seems to forget that it means money for him to keep his investments moving. It means money saved and money made—money saved because many an investment has deteriorated without the investor's knowledge—he could have sold out before having a big loss in it.

There is no reason why an investor should sit by and have his security wither away in value without his becoming aware of the fact. Yet that happens to many. They simply do not keep watch of their holdings carefully, and if they do watch them they don't keep them moving fast enough.

We will admit it is quite an art to keep a bulk of investments moving, but with a little study and attention to the market much can be accomplished.

The average investor wants more income. He certainly will never get it by buying his bonds and laying them away in a strong box and returning to that place every few months to cut the coupons. He should meanwhile watch the market movements of his bonds. It is not necessary to keep a day to day watch, but once a week at least the bond list quotations should be carefully consulted.

Some of the big institutions that buy millions of dollars and have streams of money coming in all the time do this. If they deem it wise and profitable, why should not the wise investor?

Of course, if "everybody were doing it," we don't know exactly how the bond market would act—probably results would be quite different from those hitherto obtaining; probably the bond market's action would gain intensity such as that found on the stock market. But the point is just there—so few do watch bond quotations that the wise ones have a fine chance to add to their income.

An active bond list will show far fewer losses on principal than one that lies dormant, and besides, the increased income will be something worth while going after.

Opportunities in Canadian Municipal Bonds

Increased Income Obtainable by Investment Beyond Our Northern Boundary

By JOHN MARSHALL

THE municipal bond buyer who wants just a little more return on his investment than he can get here may turn to the Canadian market. If he is content to go to the trouble of an investigation, capable of being made by any one, he will find himself repaid by greater interest return. The reason is simple enough. A country but yet sparsely populated, with mineral and agricultural resources as rich as the United States, potentially great rather than great at present, must pay, until its fuller development, more dearly for its borrowings.

So far not one dollar has been lost in Canadian municipal bonds, despite the boom conditions which have afflicted some of the Western towns—as much the mark of a growing country as growing pains of callow youth.

The best proof of the value of Canadian municipals is the attitude of the English investor, who is conservative enough in all truth, and who finds in them an outlet for a considerable amount of his money. In the case of the larger towns, such as Vancouver, Victoria, Winnipeg, Toronto, and Montreal, there is no great enticement in interest rates, but with a little inquiry the investor can find issues of the smaller towns, from 2,000 to 20,000 population, where he may have 5 per cent., 5½ per cent.; and in certain cases even 6 per cent. and 6¼ per cent., and at that with reasonable security. Bonds of the smaller Eastern towns may yield him 5 per cent., 5¼ per cent. and even 5½ per cent., and these towns are hoary with age and respectability, while in the Middle West, he may receive from the smaller towns 5½ per cent. to 6 per cent., and even more.

There are no jokers, generally speaking, in Canadian municipal financing, and the discreet and careful bond houses have in necessitous cases kept over-eager municipalities from riotous expenditures. The town charter as a rule limits the bonded debt to 20 per cent. of the assessed valuation (usually estimated at two-thirds of the actual value) and in few cases has this figured been approached, while the expenditure in most cases has represented bona fide improvements and outlays for the common good.

It is of course in the West that criticism might be directed at prodigality of expenditure, and there perhaps they may have provided over-enthusiastically for future expansion. Such oil and natural gas towns there, if considered for bond investment, must be examined as to any other reason for their existence than the fortuitous possession of such resources, of which a generation alone can tell the value.

The same trouble has afflicted the Canadian West as in our own West—inflated real estate values, but the last three years have done their part in repressing this obsession, and it is reasonably certain that this condition will not be repeated in great part for a generation.

As elsewhere the municipal authorities have found that a per cent. bond issued at a discount, makes a much greater appeal than a 6 per cent. bond issued at par, and it is here that the investor may see a means to his profit, as the bond market in Canada for the last eighteen months has been lower than it has ever been, and after the war is over, will be again, at least for a long time to come. This appreciation in bonds issued at a discount (below par) is evidenced more strikingly in bond issues of the suburbs, or outlying districts of the larger cities. These places, by their proximity to the city, gain in substance and standing, and as in the course of time they are absorbed by their greater neighbor, are given the higher rating and value of the latter. In several cases during the last few years, bond owners have done very nicely by buying under such conditions.

The Canadian municipal bond houses have maintained a good reputation for taking care of their clients, and have watched, with an approximate degree of care, the finances of the various cities and municipalities.

Nobody doubts but that one of the effects of the great war will be an impetus to manufacturing in Canada. It is already felt, and as in the United States, they are manufacturing articles which were hitherto imported.

Since the Income Tax came into being (that lusty child and full of strange tricks) there has been a considerable increase in the holding of Canadian issues here, as generally they are free from strings.

A Good Bond With Possibilities of Profit

By F. M. VAN WICKLEN

Erie Railroad Co. First Consolidated General Lien Mortgage 4% Bonds, Due 1996.

Yield at present price, about 5.70%.

The Erie Railroad Co. awaits now only a period of good business conditions in order to show its earning capacity. In other words, the company is fully prepared to handle all the business offered to it and there is little doubt that this will be large when conditions improve, for the Erie has come to be popular with shippers on account of the first class service rendered by it.

The rehabilitation of the Erie began in 1901, when President Underwood assumed control of the property. Since then upwards of $100,000,000 have been expended on it, of which $13,000,000 have come directly out of earnings. The result is a double track road from New York to Chicago in splendid physical condition, also an adequate supply of first class equipment. Among the important improvements are the new low-grade freight cut-off lines.

The Erie is now up to the standard in trunk line requirements, and, it is stated, is prepared to handle at least a 50 per cent. increased business with small proportionate increase in expenses.

Erie earned a surplus over fixed charges for the year 1912-1913 amounting to $6,682,568. The following year, 1913-1914, was disastrous for practically all railroads, and the surplus fell to $159,523. Current revenues are, however, showing improvement and for the two months January and February, 1915, gross increased $538,000 and net almost $1,000,000.

The General Lien 4 per cent. bonds of the company, although a junior security, appear to be a good semi-speculative investment at this time at their present price around 71. They rank prior to $21,000,000 Convertible 4 per cent. bonds, $28,000,000 notes and $176,000,000 capital stock.

There are many who regard the Convertible 4 per cent. bonds, Series "B" (the conversion privileges of the Series "A" bonds have expired) more desirable than the General Lien 4's on account of their conversion features and the difference in price of about two points in their favor. The Series "B" bonds, it will be remembered, are convertible into Erie common stock at 60 at any time up to October 1, 1917, a two and one-half year period.

At the present price of the Series "B" bonds the conversion cost of the stock figures out about 41, or 14 points above the current price of the stock. Erie common may or may not sell at 41 during the next two and one-half years. If it does not, then the holder of the Series "B" bonds after October 1, 1917, will have a security junior in all respects to the General Lien 4's and the margin in price between these two issues should then become considerably greater than the present difference of two points, in favor of the General 4's.

Should this stock sell at or above 41 during the two and one-half year period, it would probably be because the Erie was showing marked increases in earnings, which circumstance, however, would without doubt also cause an advance in the price of the General 4's in all likelihood as great as in the case of the Series "B" 4's. The General 4's are undoubtedly the more conservative purchase.

PUBLIC UTILITIES

How Local Conditions Affect Earnings

THERE is no need to repeat the well known fact that public utility earnings in a period of depression such as we are now emerging from show much greater stability than railroad earnings, and vastly greater than industrial earnings. There is nevertheless at least one important feature of the outlook which remains generally unnoticed. This is that under the peculiar conditions which now exist it requires more than the statistics of an individual public utility concern to disclose the true position of its stocks and bonds, at least its junior bonds. Ordinarily it is a proper enough procedure in studying a stock to take the record of its earnings from the annual reports of its company and thereby arrive at its annual earning power; but this is a case where such averages do not count for very much.

Going still further the investor who desires to test the ability of a company in which he is interested to withstand a business depression can usually do so by observing how much its earnings have decreased in previous depressions. To make the test really reliable the figures must be relative. That is, they ought to show in the case of a street railway company the general average loss in street railway earnings, then the loss of the given road, and finally the percentage of the latter to the former. But even this thorough test is not of very much value now, because the present depression is so very different in its nature from ordinary business depressions.

In ordinary depressions the South is rather less injured than the East or the West, because the world's demand for cotton does not diminish at all in proportion to the depression of general business in the United States. The demand for cotton, and therefore the price of the staple, is made not by the United States or any one country, but rather by the whole world. Thus the South in the past has enjoyed partial immunity, and all public utility concerns in the Southern states have shown a relative high stability of earnings. But now suppose the investor were to assume that this high stability still exists. He would be mistaken in his premises and probably in about all his deductions. The basis of Southern stability of public utility earnings was the stability in the total value of the cotton crop, and this suddenly disappeared. The values, as given by the Agricultural Department, have recently been as follows:

Year.	Acres.	Value.
1900	25,768,139	$515,830,000
1901	27,220,414	439,170,000
1902	27,114,103	501,900,000
1903	28,016,893	660,550,000
1904	30,053,739	652,030,000
1905	26,117,153	632,300,000
1906	31,374,000	721,650,000
1907	31,311,000	700,960,000
1908	32,444,000	681,230,000
1909	32,044,000	812,090,000
1910	32,403,000	963,180,000
1911	36,045,000	859,840,000
1912	34,283,000	781,829,000
1913	37,089,000	825,395,000
1914	36,372,000	519,616,000

It is true that in 1911 the crop was worth $103,000,000 less than the previous year, but this represented no loss at all, since it compared with a crop which was sold at very high prices and through which the planters made extra large profits. It was merely that the planters received a sort of a bonus or extra dividend in 1910. The greatest fall below normal which the South has suffered for more than a decade in the value of its cotton crop was that of 1912 when the crop was worth $78,000,000 less than the previous year. But in 1914 the South had to take a loss of $306,000,000, or about 37 per cent. A 9 per cent. loss preceded by three years of exceptional prosperity is not a serious enough matter to affect corporation earnings in the given locality; but a 37 per cent. loss preceded by two years in which the general pros-

perity of the South was a shade below normal is a very different matter.

We are discussing cotton only as affecting the prosperity of the people and thereby becoming a factor in the earnings of public utility companies. The majority of the Southern states are so predominantly agricultural, that the cities and towns are not upon the whole any more or less prosperous than the rural districts. They are merely the trading centers for the rural districts and share the same fate. The loss to the cotton planters thus indirectly but none the less certainly becomes a proportionate loss to the public utility concerns in the cities and towns.

Therefore, under the present peculiar conditions the investor in buying a stock or bond of a public utility operating in the South must study not only the past annual reports of the given concern, but also the peculiar trade conditions of the section in which it operates. He need not try to obtain monthly statements of its gross income, because as a general rule it cannot be done; but he may feel perfectly safe in assuming that its gross income will accurately reflect the degree of general prosperity in the city or section. This degree he can learn from such statistics as bank exchanges, building operations, crop statistics and the like. Other things being equal, concerns operating in states whose per capita consumption of cotton is small are to be preferred.

To a lesser extent this same method of analysis should be applied to the present time in other sections of the country. For instance, the Butte district and the Lake copper district were for a time very badly affected by the 50 per cent. curtailment in copper production. The Puget Sound district suffered some on account of the diminution in the lumber trade; and certain portions of Pennsylvania, Ohio and Virginia suffered from the war interference with the soft coal and oil industries.

All these things are important factors in determining the earnings of public utility concerns in these sections. In selecting securities no one need neglect to look up the increase or decrease in the bank exchanges of a given city, because these are readily available in all the trade reviews and financial papers. Furthermore it is worth remembering that as a rule gas and electric lighting companies show more stability of earnings than street railway concerns. Even the man who is out of work, and has not the fare to ride on the street cars continues to burn gas.

In brief this is a time when the outlook for public utilities is different in almost every section throughout the country, and deserves special study in each case.

Public Utility Inquiries

American Cities.

A. H.—American Cities preferred stock has a considerable element of speculation in it. The fact that it is a 6 per cent. stock selling around 50 indicates that plainly. From the situation in the company we should say that there is no particular reason why you should not buy it for a long pull if you clearly understand the character of the security—that is, that it is not a strictly conservative investment.

Virginia Power.

W. C.—We have no hesitancy in recommending the Virginia Power bonds. They are sponsored by a house of high rank.

Tenn. Ry., Lt. & Power.

Will you please give me your opinion regarding Tennessee Railway, Light & Power Company preferred stock, and do you consider it a good purchase at the present price? I understand this company is conservatively managed, and the present depression in the stock is caused principally by business conditions in the South.—A. J.

These utility stocks on the average are a slow proposition. Doubtless if you buy Tennessee Railway and Light and hold for a long pull you will profit thereby, because responsible banking interests are sponsors for this company.

U. S. Light & Heating.

I would be greatly obliged if you would give me your valuable advice regarding new reorganization plan of U. S. Light & Heating Company. Do you think the new plan will work out all right and will the affairs of the company be in competent hands?—A. T.

We have looked into this matter and are of the opinion that you would do well to pay the assessment and await results. It will be somewhat of a pull, but from what we are able to learn there is ample hope that the company will pull itself together again. We are reliably told that the company has some good business in hand and more coming. Of course, you understand these cases are always a question of how to make the best of a bad job. To us the way suggested seems the best way out.

Pittsburg Oil & Gas.

N. K.—Pittsburg Oil & Gas Co. Reports for nine months ended December 31st last total earnings of $225,967; net $21,766; total income $31,766; re-invested, addition to plant, etc., $78,888; deficit $47,117. We consider this issue highly speculative.

Mississippi River Power.

B. M.—Mississippi River Power Company preferred is a reasonably good security. It is backed by very strong interests and is a well-managed concern. It will probably be some time before it becomes a thoroughly seasoned security, however.

Jitneys and Utility Bonds.

M. L.—Our article on the jitney bus question of course could not apply to utilities companies that are chiefly engaged in the distribution of electric power and gas, as many of these combinations are. In many of these groups of utility companies the electric current and gas business is the backbone of the proposition. In such cases it will be necessary to consider this factor. Necessarily where the greater part of the company's business consisted of this, the street railway part would be secondary.

The high-grade utility bonds you mention are not likely to be seriously affected by the busses in the immediate future.

Twin City Rapid Transit.

Y. P.—Twin City Rapid Transit is a holding company embracing the entire street railway mileage of St. Paul and Minneapolis and vicinity. The company has been long established, and is eminently successful. Under efficient management, it has for many years shown steady increase in earnings, without any serious increase in fixed charges. After following a liberal policy of depreciation, it has been able to maintain its 6 per cent. dividend on the common for some years. The bonds of the company are rated high as investments, as in the preferred stock. The common stock is a good security also. We would not attempt to say what possibilities exist for the stock, but it has been as high as 117½. On a great uplift in stocks generally, this one is likely to appreciate proportionately.

Notes on Public Utilities

American Light & Traction.—EARNINGS for first quarter better than same period in 1914.

Amer. Tel. & Tel.—INCOME OF parent Co. and earnings of system making new records. Total income for three months $11,594,494, slightly larger than last year.

Brooklyn Rap. Tran.—SURPLUS FOR stock for year to end June 30 next will be about $6,000,000, equivalent to 8% on stock. Last yr. it was 7.8%.

Chicago Utilities Co.—INTEREST DUE April 1 on over five million 1st mtge. 5% bonds was not deposited April 10. Co. has until June to make payment before actual default occurs. Co. officials pessimistic on getting the money.

Cities Service.—NET EARNINGS for 12 mos. ended Mar. 31, $1,032,419 over last yr. Surplus after pfd. divs. equivalent to 11.34% on common stock.

Commonwealth Edison. — SYNDICATE of 11 New York, Chicago and Boston houses underwrote $8,000,000 of the $10,921,000 1st mortgage bonds which are now being offered to investors.

Consolidated Gas.—REDUCTION OF rates for electricity on May 1 will not affect the earnings of the Co.'s electric subsidiaries.

Detroit United.—PURCHASE by the city not expected to bring forth any special announcements until legislature has passed laws legalizing acquisition of lines by city.

Interborough-Metro. — EXTRA DIVS. paid on Int. Rap. Tran. stock makes it possible to pay div. on Int.-Met. pfd. Expected div. rate will be 6%. Plan to consolidate Co. with another under way and will be presented to stockholders June 1.

Mexican Northern.—COMPLETION of the hydro-electric plant is still in abeyance. It was almost ready for operation when internal troubles forced suspension of the work.

Montana Power.—STOCK HAS had recent advance in quotation on the New York Stock Exchange based upon rumors that the div. would be increased.

New York Railways.—COMPROMISE has been effected between the New York Life Insurance Co. and the company in the

matter of payment of interest on the income bonds and the Insurance Co.'s suit has been dropped. The compromise effected a change in accounting for income.

Pacific Gas & Elec.—STOCK VERY active based on analysis showing that the Co. earned for the first 3 mos. of 1915 at the rate of 11% on the common stock. Action on the common stock will be taken May 1, when directors meet to declare divs. on the preferred.

Southern California Edison.—DECLINE in the Co.'s securities due largely to the municipal ownership campaign on in Southern California. For the first 2 mos. of yr. Co. showed gain over the corresponding mos. of 1914.

Southern Power.—CONTRACT has been let for the construction of a 30,000 horse power plant, making the third station of this size in the chain of plants on the Catawba River, and giving a total horsepower of approximately 100,000 in this vicinity.

United Gas & Electric.—OUTLOOK for 1915 in annual report summarized as follows: "It is anticipated that increased cost of fuel and operating expenses will be considerably reduced."

United Light & Railways.—REPORT for the yr. ended Dec. 31 shows net was $2,369,425, a gain of $86,056 over previous yr. After charges the balance was $1,055,289, a decrease of $117,029.

United Light & Power.—ACQUISITION of the Co. by the Great Western Power Co. is expected soon to meet with the approval of the California Railroad Commission. Combination of the properties will lessen costs considerably.

United Rys. & Elec.—GROSS EARNINGS for yr. ended Dec. 31 were $9,203,838, an increase of $157,347 over preceding yr. Operating Exp. and tax increased $166,008 and fixed charges also slightly. After providing for int. on income bonds and pfd. divs. balance was equal to 6.4% on common compared with 3.6% in 1913.

U. S. Light & Heating.—REORGANIZATION plan was prepared by stockholders' protective committee following the favorable decision by the Federal Court approving the sale of the Co. Plan provides for formation of new Co. with $7,000,000 capital stock.

Virginia Ry. & Power.—EARNINGS for the 9 mos. ended Mar. 31 affected considerably by the jitney busses. The light and power departments, however, made good gains. Aggressive action to regulate the jitneys being carried which it is expected will help the situation much.

Washington Railway.—GROSS EARNINGS for 1914, $5,082,326, an increase of $128,789 over 1913. Business of the company was unaffected by the depression existing over the country generally. Balance remaining for common stock equal to 9.48%, compared with 11.25% previous yr.

Western Power Co.—SEE United Light & Power Co.

Hints for Investors

The margin of safety in an investment is not in one thing like the amount of earnings left over after paying bond interest; it is in every factor of the business. The earnings are a clew—you have got to look elsewhere for the reason.

Discriminate very carefully when you are offered bonds by small and unknown companies themselves. Perhaps they have offered them to bankers who have not accepted them. There are quite a few afloat that no reputable banker would handle—so they are peddled by the company through other means.

When, after making your bond purchases you have a small surplus, buy a fairly good stock to make up your schedule. The risk is small and the possibility of appreciation helps your income a little.

Don't expect your banker to keep as close a watch on your investment list as you would yourself, if thoroughly alive to the possibilities in trading in and out of bonds. He likes to sell generally. The bonds in which you can trade and make money are not the paying ones for him.

If you are a heavy buyer of bonds on a new issue you can generally get a little better price than is asked of the general public in the advertisements. Try it on your banker if you buy much; he can often "do a little better."

How to Judge Utility Investments

Four Classes Having Distinct Characteristics

By PAUL CLAY

PUBLIC utility securities are so relatively new that investors have not yet had time to develop any very concrete ideas as to how to judge the values of their stocks and bonds. For a while, until some of the failures occurred in the past couple of years, it was widely supposed that the mere fact that a stock or bond was issued by a public utility concern was a sufficient guarantee of its intrinsic value. That idea has passed, but even now there is not much general discrimination between one sort of a public utility and another.

As a matter of fact there are at least four distinct classes of public utility concerns and each is different in its make-up, and in the stability of its earnings and security values from all the others. In the order of their stability, mentioning the strongest first, these four classes are as follows:

1. Gas and electric lighting companies.
2. Lighting and power companies.
3. Street railway companies.
4. Power companies.

Concerns which do purely a lighting business suffer but very little from business depressions, or even from labor troubles or changes in the costs of materials. Consumption of light never decreases very much and the experience of all recent depressions including those of 1914, 1908 and 1904 indicate that lighting companies have almost nothing to fear further than that their earnings will fail to grow for a short period of months. Besides this the materials they use in the production of gas or electric power are so small in comparison with their gross receipts that the cost of materials never interferes seriously with net earnings as it often does with industrial companies and sometimes with railroads. Wages, too, are relatively small, as these companies do not require large working forces such as are employed by a steel mill, or a railroad company. Hence in every way a lighting company has a very well fortified and stable position.

Next in order come light and power concerns, meaning thereby those who derive a very substantial portion of their gross earnings from the sale of power. Now the consumption of power in any locality is less stable than that of light; for it varies according to the industrial activity of the locality. Even a street railway company diminishes its purchases of power when its traffic decreases; and a manufacturing concern when its plants are particularly idle immensely decreases its purchases of power. Hence the power end of a light and power business somewhat diminishes the stability of the entire business. The investor in order to really get a line on the situation of a company needs to know what proportions of income are derived from light, and what from power.

Third in the order of stability are street railways. This, of course, is a general statement, and indeed any such classification as this is made up of general statements to which there are some exceptions. Street railway earnings upon the whole are somewhat less stable than those of light and power companies, and should prove more stable than those of companies whose principal business is the sale of power. Street railways employ large working forces, buy large amounts of materials and are subject in every way to the evils of rising wages and variations in the cost of materials. Furthermore, they are also subject to municipal interference equally with other public utility concerns.

Fourth in the decreasing order of stability may be placed those concerns whose sole or principal business is the sale of power. It doesn't especially matter whether the power is sold for one purpose or another, because in any case the sales diminish when times are bad. Especially is this true of power sold to manufacturing and industrial companies. With street railways the principal element of uncertainty in net earning is often the question of wages, materials and operating costs; but with power companies the element of uncertainty is the gross sales. These are very apt to slump

in lean years, and in figuring the earning power of the stock of such a concern one should apply the same rules as he would to an industrial stock. The principal rule is in such a case that an industrial stock to be first-class should over a period of five years or more earn at least double its dividends, and show a goodly amount of cash and working capital.

Now as a means of testing these various companies, especially as to their capitalization, the following ratios have been worked out:

Ratios of Capitalization to Earnings.

	Gross.	*Net.*	*Surplus.*
Lighting companies..	5.7	14.4	17.1
Light and power.....	5.3	13.2	16.4
Street railways	4.6	10.9	15.0
Power companies	4.2	9.8	13.5

If, for example, one wishes to determine whether or not a lighting company is capitalized too high in comparison with its earning power, these tests can be readily applied. First, the gross earnings multiplied by 5.7 should, if operating expenses are not unusually low, give a product about as large as the total capitalization or rather as the market value of the total capitalization. Still, operating expenses play so large a part that it is desirable to test in like manner upon the basis of net earnings. Hence it is significant that about 14.4 times the net earnings after depreciation but before taxes should give a product as large as the market value of the total capitalization. If it is the stock in which the investor is interested rather than the bonds he can make a similar test by multiplying the surplus for dividends by 17.1. As a general rule this will give a product about equal to the average market value of the capital stock.

Of course these are rough and ready tests and there is nothing infallible about them, since they do not allow for individual peculiarities of companies. Still they are very useful in raising the questions to be answered by the management for the investor. If these tests indicate that a concern is overcapitalized the investor should assume that it is overcapitalized until he is given proof to the contrary. It is more of a rule than an exception for new companies to be overcapitalized, and probably a majority of securities are floated at prices higher than the average price which these same securities maintain after their flotation. Hence the application of these rough and ready tests is apt to make a great saving to the careful investor.

Bethlehem Steel "Insiders" Out in the Cold

ANENT the spectacular advance in Bethlehem Steel, a good story is going around at the expense of some people who thought they were on the inside. About six weeks ago Charles M. Schwab invited a party of New York financiers to visit the plant of the corporation at Bethlehem, Pennsylvania. In the company which accepted were bankers, brokers, steel manufacturers and capitalists. Mr. Schwab chartered a special train to convey them to Bethlehem and dined and wined them without stint.

Arriving at Bethlehem the party was escorted over the entire works, the wonders of which were explained in detail. What they saw impressed them immensely. The practical steel men in the company were especially amazed. They knew steel making and quickly realized that Mr. Schwab has the premier plant of its kind in the country.

They were convinced that the Bethlehem Steel Corporation has a great future and decided to invest money in the enterprise. Casting about them they considered the possibilities of the common stock and the refunding 5 per cent. bonds. The former had just advanced from around 42 to about 55 and appeared to have discounted a good deal, while the refunding bonds at 87 looked cheap for a 5 per cent. bond. Deciding that it held forth the best speculative possibilities, the wise ones invested in Bethlehem Steel bonds. Since that time the common stock has sold as high as 155, while the 5 per cent. refunding bonds have advanced from 87 to 89½. The men who thought they were on the inside in Bethlehem Steel are now wondering how they happened to make such a mistake.

Railway and Industrial Stocks

The Market Outlook

Importance of War Orders Should Not Be Overestimated

TOO much emphasis has undoubtedly been placed on the "war orders." The idea took such a hold on the public imagination that for a time it was easy enough to advance prices for the stock of almost any manufacturing company by announcing that it had received an order for so many millions of dollars worth of war material. When these rumors were run down there was a great shrinkage in the size of the orders.

The $65,000,000 order to the American Locomotive Company, for example, shrunk to $10,000,000 under examination. A $10,000,000 order is not to be despised, but it would have had much less effect in bulling the stock of that company if it had been for locomotives for the use of American roads—in spite of the fact that such an order would have meant much more to the permanence of our business.

The $83,000,000 war contract awarded to the Canadian Car & Foundry Co. by the Russian Government sounded very large, but up to date only $21,724,000 of this amount is definitely known to have been sub-let to American manufacturers. Doubtless more than half of it will, however, find its way across the border, as Canadian facilities for this work are limited.

It is noteworthy that an official announcement was made in the English parliament recently that the arms and munitions factories taken over by the Government had been speeded up until their output was about a dozen times that of last August, and that their capacity was now sufficient to take care of the British army and fleet.

* * *

NO one would think of denying that the big war orders which have reached this country during the last six months have had an important effect in relieving business depression. Higher prices are warranted for the stocks of the companies most affected by these orders. But speculation, as usual, has been overdoing things. Prices of some stocks are already on a prosperity basis, while the war orders received by those companies are relatively small compared with the domestic business that the same companies would do under normal trade conditions.

The demand for raw materials has so far been much greater than that for finished products. Our wheat, copper, cotton, horses are most urgently needed abroad and it is this class of exports that has built up our big favorable trade balance. For eight months to the end of March our total shipments of explosives, fire-arms, cartridges, gunpowder, dynamite, and the like were only $30,479,000, an increase of $21,093,000 over the corresponding months of the previous year. It is in raw materials, automobiles and trucks, and miscellaneous goods needed by the armies that the greatest increases appear.

It has been generally assumed that war orders will grow as long as the war lasts. This is open to argument. England has had to raise and equip a big army very quickly. Once that army is in the field and properly equipped and supplied, England herself may be able to keep it going without calling upon our manufacturers for much assistance—especially in view of the great increase in her capacity for this class of manufacturing as noted above. The Allies will keep their money at home so far as possible, both to prevent gold exports to us and to keep their workmen employed.

But apparently the demand for raw materials must continue very heavy. Europe cannot at once increase its facilities for producing materials. It must call on the rest of the world for them, and chiefly upon us.

THE effect of war business on the consumption of steel has not been as great as would be supposed if our opinions were to be formed merely from reading the newspapers. Steel mills throughout the country are now running at a little better than 70 per cent. capacity. As is natural under such conditions, prices have not yet shown any marked upward tendency.

In March the price of No. 2 Southern at Cincinnati got below $12.30. It has now rallied about 10 cents. It is safe to say that the pig iron situation will not get any worse. Prices are near rock bottom, because any further decline would check production. The next turn will have to be upward and the only question is when it will begin. April iron production will not differ widely from March, which was 2,064,000 tons, the smallest March production since 1909, when iron was still suffering from the dullness following the 1907 panic. Nevertheless, there has been a steady, though slight, tendency toward increased production since last December.

With labor conditions as at present, the steel mills could not immediately increase their production beyond 85 or 90 per cent. of full capacity. Any marked increase of orders now would bring them up to this point and would then result in higher prices. Rising prices in this industry always stimulate the demand, so that if the ball were once started to rolling a decided betterment might be expected. On the other hand, the wire distributing season is nearly over for this year, and the agricultural implement and automobile industries will require less steel during the next three months than during the last three.

The steel and iron barometer, therefore, must be regarded as now almost stationary at a low level, but with slight tendencies toward betterment.

* * *

COPPER is at the record price for seven years, and the copper stocks have responded to this condition by big advances. There is a remarkable unanimity of bullish sentiment on these issues. Some of the copper men, however, are beginning to ask whether the metal is not now high enough to discount the increase in demand. We are without statistics as to copper production since the discontinuance of the producers' statements, but with electrolytic at 18½ cents it may be assumed that most of the mines are either now producing at full capacity or soon will be. In the meantime the domestic demand for copper, aside from that generated by war orders, is still small.

Those who remember the past performances of the copper stocks are well aware that these stocks have frequently shown a rather surprising ability to decline in the face of a high price for the metal. There is a big speculative long interest in the coppers, and it is a question whether they are not now about high enough, even in view of the unusual metal situation.

* * *

THE pace of the stock market as a whole has now slackened owing to heavy profit-taking, and in some of the specialties the market has become rather thin. Mexican Petroleum, for example, after reaching a new high point of 97 a few days ago, dropped perpendicularly to 89½ on the reaching of several stop orders. Air Brake, American Locomotive, Baldwin, and some of the motor stocks have shown similar tendencies, though less extreme.

It is a well-known principle that a market in which there is a large outside interest cannot go up continuously for any great length of time. A dull, narrow market, representing slow absorption by investors, may build itself up little by little over a long period; but great activity means the presence of the speculative class of buyers, and this introduces an element of weakness into the situation entirely aside from any change in fundamental conditions.

Our view is that the present is a time for caution. Present prices for many stocks can only be justified on the ground that they are discounting future business improvement, which must necessarily be of slow growth under the conditions now obtaining. War orders form at best a somewhat artificial basis for inflated prices. If the present plane of values is to be maintained, it must finally be based on better domestic business. That is bound to come, without a doubt; but it may be delayed long enough to tire out some of the holders of stocks on margin who have been flocking into the market recently.

Willys-Overland: the Why of Its Rise

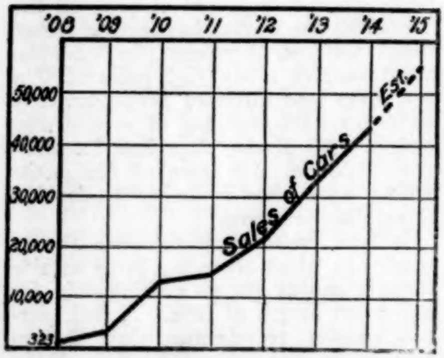
Has Developed by Increasing Efficiency of Production, Reducing Selling Costs and Avoiding Funded Debt

By JOHN J. RUDOLF

WILLYS-OVERLAND has had a 48-point rise, from 87 to 135.

The old Overland Company, a small concern manufacturing about 320 cars a year, was on the verge of bankruptcy in 1907 when the present management, under John N. Willys, took charge of its affairs and developed it within the short time of seven years into one of the three largest automobile manufacturing companies in this country.

The tremendous growth of the company is best illustrated by the graphic herewith, showing the total sales of cars per year.



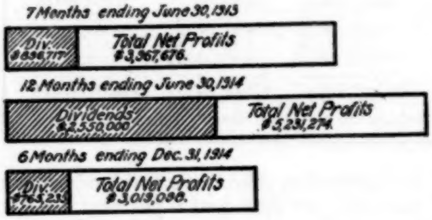
This development is all the more remarkable when it is considered that it took place in the face of severe competition and in a period which contained several years of decided business depression. Mr. Willys, to whose ability the present position of the company is a most striking tribute, realized from the beginning, that only quantity production with resulting low manufacturing cost and high quality of the product could lead to permanent success. Accordingly, all the company's efforts have been concentrated on the production of a few models of low priced four and six cylinder touring cars. The company occupies an exceedingly strong position due to the fact that it manufactures from raw material practically every part of its cars, and purchases only very few parts, like patented articles, wheels and tires. Instead of maintaining a large number of branch houses, involving heavy capital investments, inventories and large expenses, the company depends for its sales on about 3,000 dealers, who purchase the cars outright. This arrangement has been responsible for the unusually low selling expenses of the company.

One of the misgivings regarding the automobile industry as a whole has been the question of its permanency and stability. The growth of this company during the years 1907 and 1908, as well as during the business stagnation of the last two years, affords strong reason for the belief that the large automobile companies, with their strong financial structures will be able to successfully withstand an extended period of commercial depression. The company has stated that a majority of its output is going into the rural districts, where the automobile displaces, to a certain extent, the horse and is considered more in the light of a useful implement than a luxury as in the cities. Its exceptional selling organization and the fact that its inventory, in normal times, amounts to less than one-fifth of the yearly turnover should enable the company to quickly adjust its production to prevailing business conditions and to avoid the accumulation of an excessive inventory.

FINANCIAL STATUS.

At the time the present company was organized in November, 1912, it showed total net assets of about $10,800,000 and net quick assets of about $5,200,000, or slightly in excess of the preferred stock. The conservative methods followed by the management have resulted in increasing the net assets to $19,000,000, and the net quick assets to about $7,700,000, as of December 31, 1914. During the two-year period ending June 30, 1914, there was set aside from earnings, for maintenance and depreciation, about $1,700,000. Allowing depreciation of about 2½ per cent. a year on the buildings, this amount

represents over 40 per cent. of the average total fixed assets, exclusive of real estate and buildings. Up to December, 1914, the company retained in the business out of earnings fully $8,000,000, which allowed it to increase its manufacturing capacity from 37,000 to about 75,000 cars a year, without raising new capital. The proportion of net earnings reinvested in the business recently and the amount paid out in dividends is shown by graphics herewith.



In spite of the fact that the company has reduced the selling price of its automobiles from year to year, increased efficiency in production has enabled it to not only maintain its income, but substantially to increase it. The earnings for the first six months of the current fiscal year have been at the rate of over $6,000,000 a year, and as the sales to date show a most satisfactory increase, it is quite likely that the final result will be even more favorable.

THE PREFERRED STOCK.

The company has no funded debt. Out of the total of $5,000,000 preferred stock, authorized and issued, $229,000 have so far been retired by the sinking fund. Net quick assets as of December 31, 1914, amounted to $160, and total net assets to $410 for each $100 share of the preferred stock. The earnings for the 12 months ending June 30, 1914, were 15 times, and for the six months ending December 31, 1914, over 18 times the preferred stock dividend requirements.

Among the provisions safeguarding the preferred stock the following merit mentioning: No dividend shall be declared on the common stock, unless the consolidated net quick assets of the company and its subsidiaries, of which it owns free from lien at least 90 per cent. of the common stock, after deducting the amount of such dividend shall be equal to the par amount of the preferred stock outstanding and no dividend in excess of 6 per cent. shall be declared on the common stock unless the consolidated net quick assets, after deducting therefrom the amount of such dividend shall be equal to 120 per cent. of the par amount of the preferred stock outstanding. In case four quarterly dividends are unpaid and as long as there are any dividends in arrear, the preferred stock has sole voting power. Without the consent of three-quarters of the outstanding preferred stock no mortgage shall be placed on the property nor any stock ranking equal or prior to the present preferred stock issued. For the retirement of the preferred stock at not exceeding 110, the company has agreed to set aside a cumulative sinking fund of a minimum of $250,000 a year and beginning with 1916 10 per cent. of the net earnings and income if in excess of the required minimum. If this latter clause had been in effect for the fiscal year ending June, 1914, the amount accruing to the sinking fund would have been approximately $600,000, or about 12 per cent. of the outstanding preferred stock and would have been sufficient to retire all the preferred stock at 110 in less than 10 years.

The preferred stock can therefore be classed as an excellent business man's investment, now yielding 7 per cent., without taking into account the premium which is bound to be established through the action of the sinking fund. The distribution of the preferred stock, with average holdings of only 69 shares, shows that a strong market position has already been established.

THE COMMON STOCK.

The book value of the common stock has increased from 29 in 1912 to 71 in December, 1914, or at the rate of about $21 a year. The earnings after deducting preferred stock dividends were 26½ per cent. for 1913, 27½ per cent. for 1914 and at the rate of 28½ per cent. for the six months ending December, 1914. Dividends at the rate of 6 per cent. have been paid since 1913, with an extra cash dividend of 5 per cent. in August, 1913.

Assets and Liabilities.

ASSETS.	June 30, 1913.	June 30, 1914.	December 31, 1914.
Real Estate, Buildings, Equipment and other fixed assets	$ 5,621,008.49	$ 8,231,851.87	$ 9,127,188.23
Affiliated Companies	4,065,616.62	2,156,029.32	2,251,767.31
Inventories	5,186,858.56	7,116,433.02	9,648,745.07
Accounts and Notes Receivable	1,035,997.52	4,231,430.30	3,314,939.97
Miscellaneous Investments and European and Domestic Selling Agents	26,825.00	709,723.94	951,867.20
Cash	2,556,241.24	2,112,759.91	3,928,098.42
Deferred Charges	50,288.66	119,679.21	124,943.93
Goodwill	14,059,999.98	14,059,932.21	14,059,932.21
Total	$32,602,836.07	$38,737,839.78	$43,407,482.34
LIABILITIES.			
Preferred Stock	$ 5,000,000.00	$ 5,000,000.00	$ 4,721,000.00
Common Stock	20,000,000.00	20,000,000.00	20,000,000.00
Subsidiary Companies	37,513.99	144,325.42	131,500.00
Current Liabilities	4,358,590.56	6,991,502.77	10,069,046.30
Reserve for Depreciation and Renewals	135,772.34	1,099,777.86	834,005.02*
Surplus	3,070,959.18	5,502,233.73	7,651,931.02
Total	$32,602,836.07	$38,737,839.78	$43,407,482.34

*$672,923.46 deducted directly from Real Estate, Buildings and Equipment.

On April 12, 1915, a stock dividend of 5 per cent. was declared, payable May 1, 1915. The declaration of this stock dividend seems to indicate the policy which the management expects to follow; to let the stockholders share in the exceptional prosperity of their company and at the same time build up a working capital commensurate with the annual business. There still remains in the treasury $4,000,000 common stock which may be used for similar distributions. Assuming that the earnings for the present fiscal year will be about $6,000,000, and they are likely to be considerably higher, and deducting therefrom dividends at the rate of 7 per cent. and 6 per cent. on the preferred and common stocks respectively, the additions to the assets of the company will exceed $4,400,000 for the twelve months' period.

As a result of the recent rise of all the listed automobile stocks a certain number of weak holdings have undoubtedly been created, the elimination of which might cause a temporary decline. The demonstrated earning power, however, seems to fully justify present quotations and to leave fair possibilities for further appreciation.

Copper Dinners

"Copper dinners" are again in vogue. On a recent evening John D. Ryan gave a complimentary dinner at Sherry's to D. C. Jackling. Over 100 guests, men prominent in the copper producing and consuming business, were present. Mr. Jackling is the most spectacular figure in copper mining today by reason of his marvelous success with low-grade porphyry ores. The utmost good-will exists between the vein miners and the porphyry managers. Incidentally Mr. Ryan has joined hands with the porphyries through the Inspiration Copper Co., in which he is today the dominating personality.

How Railroads Benefit From War Orders

A bullish factor on certain rails is found in the fact that the millions of dollars worth of war material ordered means new business for these railroads and their earnings are bound to reflect the benefits to be derived from this source. The increasing strength and activity in these rails within the past few days would therefore seem to be well founded.

The Latest Chapter in the Rock Island Serial

By NORMAN N. MERRIMAN

WHEN Rock Island advanced rapidly during the two weeks before and after the annual meeting of the company, gossip was rife that the necessary financing had been accomplished. Arrangements were said to have been made to meet the Bankers' Trust Company loan of $2,500,000, maturing on April 30, and other obligations coming due the next year or two were also reported provided for. In the light of recent events it would seem as though Mr. Micawber had no advantage over the Rock Island in the matter of "providing for" maturing debts.

But there was greater justification than the rise in the price of the stock for the Street's feeling of confidence in the condition of the company's affairs. An analysis of the report of the road's earnings for the eight months from July 1, 1914 to February 28, 1915, showed that gross revenues had increased close to three million dollars. There had been only a small increase in net—a total of about $500,000 in the period—but appropriations for maintenance of way and of equipment had increased, over the corresponding period in 1913-14, the enormous amount of $1,962,000. This additional expenditure, if maintained for the balance of the year, would have amounted to about $3,000,000—or 4 per cent. on the outstanding stock of the company. For a road of this character an allowance of 30 per cent. of gross earnings for maintenance, seems most liberal, and it would be strange to find so large an allowance made, were the officers and directors not absolutely confident that all financing could be arranged.

A further analysis of the earnings for these eight months showed that gross earnings for the present fiscal year promised to be greater than any in the road's history. Furthermore, the fact that the operating ratio, in spite of the additional expenditure, for maintenance, was considerably better than for the same period of 1913-14, gave good ground for the belief that the crisis in the road's affairs was past. To those who went still farther into the road's finances and found that the obligations maturing in the coming year only amounted to slightly more than $7,000,000, or about *one-fortieth of the road's total indebtedness,* it seemed absolutely incredible that arrangements could not be made to tide the company over the present critical period.

Hardly any railroad of consequence in the United States had so few obligations maturing in the same time, and hardly any railroad was making as satisfactory statements of gross earnings. When one considered that, except for one year, dividends had been uninterruptedly paid on the stock of the Chicago, Rock Island & Pacific since 1891, and that since 1901 about 75 per cent. had been disbursed to stockholders, the idea of a receivership seemed almost impossible.

That these conclusions as to the outlook for the company are to some extent justifiable there is no doubt; and that the manner of making application for a receivership savored of stockjobbing methods is also unquestionably true. One director of the road, Mr. N. L. Amster, who was doing his utmost to procure the needed funds, knew nothing about the application for a receivership until after the court proceedings were over. Another man, Mr. A. Van Hall, not a director in the road, but a representative of Dutch holdings exceeding one-twelfth of all the shares outstanding, was allowed to sail to Europe two hours before the announcement of the news, with apparently no knowledge of the impending receivership. There was no possible reason to anticipate a receivership at any time before April 30, when the Bankers' Trust Company loan matured.

The writer does not know of any case since the days of Gould's and Fisk's manipulations of Erie, where a railroad receivership has been asked for, prior to a default in the payment of either the principal or interest of some capital obligation. The claim of the company applying for a receiver was a trivial one

and could have been instantly liquidated had it been so desired.

The stock had doubled in price in a short time; dealings in this period were enormous; great public interest had been created in the issue; the annual meeting of the company had passed without any statement of impending trouble; then, like a bolt from the blue, came the receivership announcement, and in a short time the stock declined in price forty per cent.

There can be only one conclusion drawn from these occurrences. A certain group of men connected with the company manipulated the stock to comparatively high prices, found a sufficient public buying power aroused by the rise in the stock to take a large amount of it off their hands; then, either to enable themselves to buy back the stock at a handsome profit, or to eliminate other interests, already powerful and threatening daily to become more so, threw the road into a receiver's hands.

Just where to lay the blame for this manipulation is not entirely apparent. An analysis of the personnel of the Board of Directors discloses representatives of four separate interests. The control appears to be held by the Phelps-Dodge directors, but in view of the fact that this group of stockholders is reported to be averse to making any further cash investment in the company it would seem as if the receivership were not due to their action.

Another large interest is still held by Mr. D. G. Reid and Mr. W. S. Moore, although several of their directors have recently resigned. It is possible that in the event of a reorganization of the road they may be found to hold a large portion of the junior bonds of the company, although this seems unlikely.

Mr. N. L. Amster is the representative of about one-fifth of all the outstanding stock, holding the proxies of the majority of the small stockholders.

The representative of the fourth group is Mr. Charles Hayden, of Hayden, Stone & Co. It is not known whether Mr. Hayden and his associates have any large interest in the road, and his election to the directorate may have been due to the hope that he would lend his influence to aid in providing the funds needed for the road's rehabilitation. In any event it seems likely that Mr. Hayden will have an active interest, and in view of his great success in financing and developing mining properties, the stockholders should welcome the accession of such an able and progressive man to the directorate.

Whether or not the present directors of the Rock Island will be able to work together in the interest of the road is hard to tell. To a large extent the future of the road depends upon the management. More money is needed, but it is not so much needed as is operation by officers who will give greater attention to running the road than to filling their pockets through manipulation of the stock.

A few words regarding the future of the Rock Island System may not be amiss. In considering the present position of the company a comparison between it and other roads may be order. No other line in the United States presents a fair parallel to the Rock Island. In some respects the Atchison, in others the Burlington, in others the M. K. & T. are comparable to it. The table herewith will show how it compares with a number of roads, to each of which it presents certain points of similarity. The figures are, in each case, for the last fiscal year.

The interesting thing to note in connection with the above figures is that the per mile capitalization on which interest and dividends is being paid is lower than the Rock Island only in the case of two roads, the Chicago, Burlington & Quincy, and Chicago Great Western. The figures suggest that much improvement can be made by more efficient operation. The train load seems much too small, and the freight density appears to be lower than it should be.

Undoubtedly the chief cause for the Rock Island's present troubles has been the steady growth of its fixed charges. The bonded debt per mile of road, in 1901, when the Reid-Moore interests came into control, was less than $18,000 per mile. At that time the Burlington had practically the same per mile debt as the Rock Island System. In the fifteen years since that time the Burlington's per mile debt has remained stationary—that of the Rock Island has doubled. In

Rock Island Operating Statistics

	Per mile cap'n. rec'g. interest or divs.	Passenger density.	Freight density.	Train load (in tons).
Atchison	57,123	120,095	670,693	420
Chi. B. & Q.	32,191	126,058	942,339	479
Chi. Great W.	25,356	107,069	911,648	475
Denver & Rio G.	47,868	96,352	549,767	337
Mo. Kan. & Tex.	36,806	105,635	483,838	268
Missouri Pac.	41,875	75,344	755,693	387
Southern Pac.	82,246	167,816	670,497	471
Average	46,196	113,339	712,065	422
Chi. R. I. & P.	35,141	119,440	624,417	306

	Per Cent. of Gross Consumed by Int., Divs. & Transp. Expenses.	Av. Rev. per Pass. Mile.	Av. Rev. per Ton Mile.
Atchison	66.5	2.175	1.007
Chi. B. & Q.	61.7	1.880	0.730
Chi. Great W.	63.3	2.001	0.729
Denver & Rio G.	63.5	2.040	1.200
Mo. Kan. & Tex.	71.5	2.250	1.090
Missouri Pac.	69.7	2.030	0.799
Southern Pac.	70.6	2.247	1.110
Average	66.6	1.946	0.952
Chi. R. I. & Pac.	72.0*	1.920	0.860

*In 1912-13 this figure was 66.8.

1901 the Rock Island earned 10.19 per cent. on its stock, while the Burlington's earnings were 7.35 per cent.; in 1913-4 the Burlington earned 15.44 per cent. and the Rock Island, 0.60 per cent. When one considers that the Hill interests took over control of the Burlington at about the same time that Messrs. Reid-Moore assumed control over the Rock Island, it is easy to see what could have been done with the latter system had the standard of operation and financing been the same.

It is hard to find the *quid pro quo* received by the Rock Island in return for the doubling of its bonded debt in fifteen years. If the equipment were ample, modern and in good condition; the roadbed and structures properly maintained; and if sufficient double-track and side-track had been built with these extra funds; in other words: If the money received from the sale of bonds had been used as Harriman would have used it, the Rock Island would probably now be the greatest railroad system in the country, west of the Mississippi River.

The road operates in fourteen states: it touches the Great Lakes and the Southern Atlantic seaboard; it runs in the Central West as far as Denver, in the Southwest into New Mexico; the great agricultural states, Iowa, Kansas, Oklahoma, Texas, Arkansas and Missouri are crossed and recrossed by its lines; no other western line touches so many important centers of freight distribution—Chicago, Minneapolis, St. Paul, St. Louis, Kansas City, Omaha, Lincoln, Des Moines, Sioux Falls, Denver, Oklahoma City, Galveston, Dallas and Memphis all being located on its lines; with new capital to provide for its pressing needs, and with an efficient standard of operation, it seems impossible that the road will not again be one of the most prosperous in the country.

Intrinsically, the common stock seems cheaper at its present price around twenty, than almost any other railroad stock listed on the New York Stock Exchange. With a period of reasonable prosperity before the country, and with the interests that have dominated the road for the past ten years eliminated, it would not seem strange to see Chicago, Rock Island & Pacific stock selling, ten years from now, on a parity with the stocks of other good roads in similar territory.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the ten per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.

Railroads	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1908.	1909.	1910.	1911.	1912.	1913.	1914.	Present price.	Earnings last fisc. year on present price.	
Seaboard Air Line pfd....	0	0	....	....	....	7.6	3.7	7.3	6.9	41	16.8	
Southern pfd.	0	0	0.7	6.0	9.6	11.1	11.3	11.8	8.1	58	13.9	Last dividend passed.
Twin City Rapid Tran. com	6	6.1	8.3	9.9	10.9	11.0	11.3	13.0	12.8	99	12.9	
Kansas City Southern com.	0	0	2.6	3.4	2.2	2.7	0.2	2.7	2.9	25	11.6	
Chesapeake & Ohio com...	†	0	4.4	6.4	10.0	5.1	6.8	5.2	4.7	47	10.0	$15,000,000 earnings to go into property by 1917.
Union Pacific com........	8	6.0	16.2	19.1	19.2	16.6	13.8	15.1	13.2	132	10.0	
Atlantic Coast Line com...	5	4.6	5.6	9.4	12.0	12.8	12.1	12.0	10.7	110	9.7	Dividend reduced from 7%.
Brooklyn Rapid Tran. com.	6	6.6	4.1	4.2	5.6	6.8	8.3	9.2	8.7	91	9.6	Subways will doubtless enlarge earnings eventually.
Reading com.	8	5.3	12.7	13.2	16.1	13.8	12.5	22.7	13.4	153	8.8	Incl. betterm'ts. Suit filed ag'st contr. of Jersey Cen.
Lehigh Valley com........	10	6.9	19.2	15.4	23.0	16.5	13.2	16.9	12.5	144	8.7	
Canadian Pacific com......	10	5.9	10.6	8.6	16.0	17.3	19.6	19.6	14.5	169	8.6	Earnings still poor.
Norfolk & Western com...	6	5.7	7.1	8.7	11.6	8.9	9.9	10.6	8.9	105	8.5	Controlled by Penna.
Southern Pacific com......	6	6.5	7.4	10.2	13.0	9.6	7.9	9.8	7.5	93	8.1	
Louisville & Nashville com.	5	4.0	7.5	14.3	17.3	14.2	15.9	12.7	9.3	125	7.4	Controlled by Atl. Coast. Div. reduced from 7%.
Atchison com.	6	5.8	7.7	12.1	8.9	9.3	8.2	9.5	7.4	103	7.2	Big gains in earnings.
Northern Pacific com......	7	6.4	12.8	10.7	9.0	8.2	7.9	8.7	7.9	110	7.2	Large equities in lands and C., B. & Q.
Delaware & Hudson com..	9	6.0	12.4	12.2	12.5	12.3	13.0	14.5	10.8	151	7.1	
Buff., Roch. & Pitts. com..	4	4.6	6.2	6.3	7.3	8.0	8.4	10.2	6.0	87	6.9	Dividend recently reduced from 6%.
Great Northern pfd.......	7	5.8	7.1	8.3	8.5	8.3	10.3	11.0	8.2	121	6.8	Has large equity in C., B. & Q., and Can. extensions.
Chic., Mil. & St. Paul com.	5	5.3	9.5	7.2	8.0	7.1	1.6	8.6	6.3	95	6.7	To Jan. 31 div. not earned.
Del., Lack. & West. com...	20	4.8	40.8	52.8	35.4	31.8	33.2	32.0	28.3	421	6.7	
Illinois Central com.......	5	4.5	8.4	7.4	7.1	10.3	3.2	6.0	7.4	111	6.7	Dividend reduced from 7%.
Minn., St. P. & S. S. M. com	7	5.7	8.4	8.8	15.7	5.3	11.1	14.7	7.8	122	6.4	Pfd. and com. share above 7%. Contr. by Can. Pac.
Pennsylvania R. R. com...	6	5.5	9.0	11.0	9.3	8.6	9.3	8.9	6.8	110	6.2	Div. paid since 1856.
Chicago & Northwest. com.	7	5.4	11.2	11.4	7.7	8.0	7.1	9.6	7.9	130	6.1	Com. div. being earned easily.
Chicago Gt. Western pfd..	0	0	....	....	1.2	1.9	0.4	2.8	2.0	34	5.9	
Baltimore & Ohio com.....	5	6.4	5.1	7.1	8.9	6.9	7.6	7.2	4.5	78	5.8	Large bond issue rumored to meet notes due June 1.
St. Louis & S. W. pfd....	0	0	1.6	2.9	4.1	6.1	8.2	9.4	1.7	37	4.6	
N. Y. Central com.........	5	5.6	5.1	7.7	6.0	5.7	6.2	5.9	4.0	89	4.5	Now consol'd with Lake Shore.
N. Y. Ont. & West. com..	0	0	2.6	2.3	2.3	2.0	0.8	2.1	1.1	30	3.6	
Erie, 1st pfd.............	0	0	3.4	6.1	12.1	11.2	7.0	15.3	1.4	44	3.2	Entitled to 4%.
Mo., Kansas & Texas pfd.	0	0	6.1	7.2	8.0	13.6	0.1	17.8	0.4	28	1.4	Notes due June 1 to be extended.
Pitts., C., C. & St. L. com.	0	0	7.2	9.8	6.1	7.0	10.9	—2.0	0.9	70	1.3	Pfd. & com. share above 5%. Controlled by Penna.
Wisconsin Central com....	0	0	—0.6	0	2.5	—4.3	0.3	4.0	0.4	37	1.1	Leased to M., St. P. & S. S. M. (Can. Pac. System).
Missouri Pacific com......	0	0	3.7	1.3	3.3	—6.3	—2.4	1.9	0.1	13	0.8	Gould influence eliminated.
Colorado & Southern com.	0	0	4.8	4.9	7.3	5.2	2.6	3.2	0.2	31	0.6	Controlled by C., B. & Q. (Hill management).
N. Y., N. H. & Hart. com.	0	0	5.4	7.4	10.3	7.1	8.5	5.0	0	67	0	Govt. breaking up its control of subsidiaries.
Minneapolis & St. L. pfd..	0	0	2.7	—2.4	1.9	1.5	—11.9	7.7	—1.0	40	0	Soo Line denied deal to take over this road.

† 1% declared in Nov., 1914, from earnings.

Earnings on the following are shown before deduction of interest payable on Western Pacific bonds:

Denver & Rio Grande pfd.	0	0	7.7	6.6	8.3	4.7	2.0	4.2	2.8	15	18.7	Contr. and finances W. Pac., which doesn't earn fixed charges.

Industrials

	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
General Motors com......	0	0	....	....	15.7	17.3	38.8	37.5	....	144	26.0	Getting into very strong position.
Bethlehem Steel com......	0	0	—1.6	6.5	6.7	6.9	27.4	30.6	....	145	21.1	
Distillers Securities com....	0	0	2.2	2.3	3.1	1.5	1.2	2.3	....	11	20.9	Not doing well.
U. S. Realty & Imp. com..	4	9.8	9.2	9.7	9.4	8.3	9.2	8.2	....	41	20.0	Div. resumed Feb. 1.
S. S. Kresge com.........	6	6.6	....	....	....	8.7	14.7	20.4	....	123	16.7	
Central Leather com......	3	7.1	6.3	—2.1	—5.1	8.6	5.2	6.4	....	42	15.2	War orders big. Earned 6.41% common 1914.
Am. Agricul. Chem. com..	4	7.0	7.5	10.4	9.1	7.3	5.2	7.7	....	57	13.5	Common div. safe. Expect 1915 net to equal 1914.
Inter. Paper pfd..........	2	5.0	2.7	4.5	5.3	5.4	4.4	5.1	....	40	12.8	6% cum. div. in arrears about 27%.
Am. Malt Corporation pfd.	2	6.9	6.2	3.0	8.8	9.3	4.6	3.7	....	29	12.7	Divs. in arrears 24%.
Westinghouse Electric com.	4	4.6	....	7.6	12.3	6.2	8.2	10.8	....	87	12.4	Understood large war orders received.
Va.-Carolina Chemical com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	....	29	11.7	Pfd. divs. defrd. Co. wants to husband cash.
U. S. Rubber com.........	6	8.7	4.0	7.8	2.2	6.3	9.8	8.0	....	69	11.6	
Union Bag & Paper pfd...	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	29	11.4	
American Can pfd........	7	7.1	6.7	6.8	7.1	14.2	9.7	10.7	....	98	10.9	Arrears 8¾%. Govt. suit pending. 1915 expected best ever.
Sears, Roebuck com.......	7	5.0	18.4	20.5	17.0	19.3	21.2	14.5	....	139	10.5	Stock div. 50% com. Mar. 15.
Amer. Car & Foundry com	2	3.6	2.6	6.6	7.1	2.5	4.1	5.5	....	55	10.0	Nothing earned on com. for yr. just ending.
Woolworth, F. W., com...	7	6.5	....	....	....	8.9	11.0	10.7	....	107	10.0	
Corn Products pfd........	5	6.4	8.2	6.9	7.0	6.8	7.6	7.7	....	78	9.7	1914 profits equal 1913.
Tenn. Cop. (par $25) com.	12	8.8	6.8	8.9	8.1	21.9	19.3	13.0	....	$34	9.6	Income chiefly from sulphuric acid.
Am. Smelting & Refin. com.	4	5.4	7.7	7.1	9.1	10.1	7.5	6.0	....	74	8.1	Mexican operations still badly crippled.
Western Union com........	4	5.9	5.8	5.7	5.4	4.0	3.2	5.4	....	68	7.9	Earnings this yr. will be about 5½% on stock.
Pacific Mail com..........	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	....	19	7.9	White crew bill hurts earnings.
National Biscuit com......	7	5.7	7.4	7.7	9.8	10.0	9.6	11.7	9.5	122	7.8	
Chino Copper (par $5)....	40	4.3	....	....	....	50.6	77.5	73.4	....	$47	7.8	Div. reduced.
American Tel. & Tel. com..	8	6.5	9.0	10.4	10.0	9.3	9.6	9.4	....	122	7.7	Large equities in sub. co. earns. Will cut construction program greatly.
Utah Cop. (par $10) com..	30	4.2	29.5	34.6	39.7	53.5	53.9	....	....	72	7.5	
People's Gas, L. & C. com.	8	6.7	8.9	9.0	8.9	7.5	8.2	8.6	....	120	7.2	
General Electric Co. com..	8	5.2	7.4	16.7	14.5	16.2	12.9	11.1	....	153	7.1	Working 65% capacity.
Ray Con. Cop. par $10) com	0	0	....	....	2.1	13.3	18.5	16.8	....	$25	6.7	Div. passed.
General Chemical com....	6	2.9	14.4	15.6	15.5	14.4	13.4	13.3	....	211	6.3	Now earning about same as 1914.
American Linseed pfd.....	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	....	31	5.8	Not doing well. War hurt.
National Lead com.......	3	4.7	6.2	4.3	3.6	3.8	3.6	3.7	....	64	5.8	
Pullman com..............	8	5.0	10.9	11.6	9.3	8.7	9.3	9.0	....	159	5.7	Abnormal amounts charged to depreciation.
Consol. Gas (N. Y.) com..	6	4.7	6.7	7.4	7.6	7.5	7.2	7.1	....	127	5.6	Sub. cos. have large undistributed surpluses.
Pittsburgh Coal pfd.......	5	5.3	3.0	7.2	5.1	7.5	10.1	5.1	....	95	5.4	Production heavily decreased.
Republic Iron & Steel pfd..	0	0	8.1	11.7	7.8	8.9	12.4	4.1	....	86	4.8	1914 worst year in Co.'s history.
Amer. Beet Sugar com....	0	0	7.0	7.3	10.9	13.5	3.9	2.3	....	48	4.8	Divs. this spring uncertain. Co. conserving resources.
Am. Sugar Refining com...	7	6.2	3.9	3.8	9.6	8.7	1.9	4.3	....	113	3.8	Helped by war. In 1914 earned 4¾ on com. bef. dep.
Amer. Cotton Oil com.....	0	0	10.4	6.8	—1.2	6.5	3.4	2.0	....	53	3.8	Controls 17 sub. companies.
North American com......	5	6.5	6.0	6.2	6.2	7.2	6.7	6.4	....	77	3.6	Controls St. Ry. & Elec. Light Cos. in No'west.
Am. Hide & Leather pfd..	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	....	35	2.3	War orders big item.
American Locomotive com.	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	....	58	2.2	$50,000,000 war orders caused big rise in stock.
Sloss-Sheffield com........	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	....	37	0.5	Last div. on pfd. in scrip, cash being saved.
Pressed Steel Car com....	0	0	7.7	5.5	0.1	0.8	10.5	0.1	....	49	0.2	Div. on pfd. may pass. All cash needed.
United States Steel com...	0	0	10.5	12.3	5.9	5.7	11.1	—0.3	....	59	0	U. S. Govt. suit pending. No divs. in sight.
Am. Steel Foundries com..	2	5.7	0.1	6.1	—1.5	4.6	6.1	—1.4	....	35	0	1914 very poor year. Deficit $575,162.
Railway Steel Spring com..	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	....	32	0	1914 bad year. Def. after pfd. div.
Colo. Fuel & Iron com....	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	....	32	0	Strike affected Co.'s 1914 earnings badly.
American Woolen com....	0	0	5.2	2.2	2.1	2.1	—19.9	0	....	30	0	Did not quite earn 7% on pfd. in 1914.
Nat. Enam. & Stamp. com.	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	....	15	0	1912 earnings 18 mos.

The Riker-Hegeman Stocks

Plans for Expansion of the Great Drug Store Chain, and Some Possible Obstacles

By WILLIAM T. CONNORS

RUMORS continue that the Riker & Hegeman Drug Company and the United Cigar Stores will be combined as a single corporation, if the lawyers of the Whelan interests can find a legal way to bring that state of affairs about, so that it will be proof against attack under the anti-trust laws.

In the last issue of this magazine I discussed the United Cigar Stores. I will now take up the Riker & Hegeman Co., so that if the combination takes place readers may be informed in advance as to the standing of the new company thus formed.

There are between 90 and 100 drug stores in the present Riker-Hegeman chain, located in New York, Brooklyn, Boston, Hartford, Newark, Washington and sixteen other Eastern cities. In 1913 the company did a business of about $15,000,000 gross, which was an increase of something like $2,000,000 over 1912. In the first half of 1914 a further increase in gross business was recorded, but the war interfered with sales to some extent, and authoritative figures for the entire year have not been given out.

WHEELS WITHIN WHEELS.

Within the last three years the forming of corporations in connection with these stores has gone on right merrily. The Riker & Hegeman Co. itself was incorporated in 1912, taking over the entire capital of Wm. B. Riker & Son Co. and Jaynes Drug Co. of Massachusetts. In December, 1913, the Corporation for R. & H. Stock was formed as a holding company, having acquired $3,589,000 of the common stock of Riker & Hegeman Co., a controlling interest. George J. Whelan, in turn, took over $2,000,000 out of the $3,589,000 stock of the Corporation for R. & H. Stock, which gives him and his friends control of the whole enterprise.

The Riker & Hegeman Co. has outstanding $2,147,000 preferred stock which pays 6 per cent. dividends and has no voting power; and $7,000,000 common stock which carries the voting privilege. Par value of both issues was recently reduced from $100 to $5. The common paid 4 per cent. until last fall, when a 10 per cent. stock dividend was declared instead and holders were also given the privilege of subscribing to new stock at par to the extent of 10 per cent. of their holdings.

Corporation for R. & H. Stock paid the same dividends. This change was made because of plans for the rapid extension of the chain of stores.

If the plan of combining the drug company with United Cigar Stores goes through, it will be interesting to see what kind of a corporation will be formed as a cap-stone of this legal structure. The two companies are already working in harmony to a certain extent. For example, it is said that the United Chemists Co., the recently formed subsidiary of United Cigar, will handle Riker-Hegeman products wherever possible.

Within the last year United Cigar selling methods have been introduced into Riker-Hegeman, resulting in heavy expenses incurred in making the necessary changes. This reduced the 1914 net earnings, but Mr. Whelan and his associates believe the money was well spent and will place the company on a better basis in the future. A rapid extension of the drug store chain is understood to be planned, along the same lines that have been so successful in United Cigar.

The building up of the drug store chain was largely the work of Alfred H. Cosden, who started in as a clerk with the old Wm. B. Riker & Sons Co. in 1894 and gradually worked up to a position as manager. He has just retired at the age of 42, after having made a fortune. It is believed, however, that he, like Mr. Whelan, will retain a pretty lively interest in the business in spite of his retirement.

WHELAN'S PLANS.

Whelan took hold of the drug trade because he believed he could apply the same methods there that have been so

notably successful in the cigar business. His plans were substantially as follows:

First: He would buy drugs in great quantities, and having already owned and operated several drug stores on the coast of New Jersey, purely with an educational object—to learn the business, Mr. Whelan thought he had a groundwork of understanding on which to proceed. By increasing his store links from time to time and by buying in greater volume he expected to gradually buy cheaper and cheaper each succeeding month.

Second: He calculated that he would save great sums in rentals, because the realty branch of the United Cigar Stores Co., known as the Merchants' Realty & Improvement Co., could lease up entire buildings, sub-let at increased rentals to the tenants and reserve a substantial space for a Riker & Hegeman store and a United Cigar Store. He also figured that he could combine drugs and cigars, by making the drug end of it prominent and the cigar end a profitable incidental.

Third: He planned to cut down the wages of the mediocre clerks. He has already done that. Special inducements in the way of percentages of profits from increased sales go only to the hustling chief clerks whose metal has been tested and who have not been found wanting.

Fourth: Mr. Whelan believed that in the United Cigar Stores Co., he had the most efficient business organization in the retail field of the United States. He therefore released several of his cleverer executives from the United Co., and instructed them to duplicate the methods of the United Cigar Stores system, so far as practicable, in the drug chain. That has been done with a fair measure of success.

It is quite true, and without doubt Mr. Whelan recognizes the fact, that it will not be so easy to apply United Cigar methods to the drug trade as it was to the cigar trade. The prescription drug clerk occupies a semi-professional position. He must have a specialized education and must be a responsible person. Any boy who can make change can sell cigars but the drug clerk must have knowledge and skill. A gentleman thoroughly well informed in the drug trade makes the following statement to The Magazine of Wall Street:

"It is doubtful in the minds of many whether Mr. Whelan can monopolize such a business as the drug business; there personality enters in more as a factor than it does in the cigar business. More is expected from a drug clerk than is expected from a cigar clerk in efficiency, in manner, in personality, in reliability.

"Can Mr. Whelan get the men? If he develops a nation-wide movement and installs drug stores from coast to coast and from the Lakes to the Gulf, he will then be able to drive many substantial druggists of today out of business. Then he can readily hire them. But there are druggists' associations and syndicates. They combine together; they buy together and they are a lusty aggregation of live men of the higher class.

"Mr. Whelan has a fight on his hands. He encroached upon the cigar trade when the stores of independents were dust-ridden and ill-kempt; the stocks of cigars and tobaccos were incomplete, mouldy, or dry; the proprietor played a desultory game of cards in the back room. A patron entered and when the proprietor finished his hand in the game he condescended to arise and wait upon an impatient and dissatisfied customer. Whelan introduced a system that stood for fresh stocks in plentiful supply, unparallelled service, polite clerks, handsomely trimmed stores, low prices, and the invincible coupon.

"He has no such slip-shod field when he enters the drug realm. There are many satisfactory drug establishments privately owned. Mr. Whelan cannot delegate his personality to indifferent, mediocre and dissatisfied clerks."

The above is one side of the case. The other side is this: The Riker-Hegeman chain was a first-class success before Whelan took hold of it. It is now in a much better position than it was then. It is in the hands of more efficient executives, and has greater resources and facilities. The old regime could not dream of accomplishing what the powers in control today may easily attain. It is a foregone conclusion that economies are being effected and running expenses of this great drug chain will be cut down. The stockholders benefit. The salaries of

the executives are not exorbitant. They depend upon their own stockholdings in the company for their profits. These executives have every incentive to deliver the goods for Whelan and for themselves.

Again, the pet ambition of George J. Whelan's life was nipped in the bud by James B. Duke several years ago. Said Whelan to Duke:

"This tobacco business is too small fry for me. I want to start a realty combine, capitalize it for $50,000,000, lease up buildings all over the country and sublease at a profit. It's simple and I'm in favor of starting it right now."

But Duke gave the suggestion a melancholy nay. "We are in trouble enough with the government now," said Duke (this was when the case of the government against the Tobacco Trust was on) "and it behooves us to pull in our horns and pursue the even tenor of our way."

Mr. Whelan is no longer subject as an individual to the dictation of the old and passed tobacco king, and with control of both United Cigar and Riker-Hegeman in his hands, he may be able to realize this ambition.

Although both Whelan and Cosden have resigned, the immediate management of the drug chain is still in good hands. John S. Alley, formerly vice-president and still earlier the manager of the Riker-Jaynes stores in Boston, succeeds Cosden, who will continue to serve on the Board of Directors. Mr. Alley is thoroughly qualified for the position and knows the business of the Riker-Hegeman chain from A to Z.

A CONSTRUCTIVE ENTERPRISE.

The investor in Riker-Hegeman must realize that he is participating in an enterprise which, in spite of the great extent it has already attained, is still in the constructive stage because of the wide plans of the controlling interests. Riker & Hegeman common is now selling at about 6⅝ and Corporation for R. & H. Stock at about 7⅝. The reason the stock of the holding company sells higher is that the supply is smaller and the company has the right to acquire and hold other stocks besides Riker & Hegeman. It therefore is believed to have greater speculative possibilities.

The meager reports issued as to the earnings of the two companies make it necessary to grade them as on the speculative plane. It is probable that if earnings were given out in full both would be entitled to be ranked as investments, with considerable possibilities of appreciation.

It is to be noted, however, that there is considerable opposition to the coupon plan among many influential retailers. One of these is Marshall Field & Co., of Chicago, and an effort is being made to get the Illinois legislature to pass an anti-coupon law. Whether such a law can be passed is decidedly doubtful, and there is further doubt as to whether it would be held constitutional if passed.

CURRENT INVESTMENT LITERATURE

Available for distribution to investors on request, accompanied by mention of The Magazine of Wall Street.

PAMPHLETS.

Electrical Utility Investments; Their Record and Progress. A timely and educational discussion of the position of utility investments in comparison with others. William P. Bonbright & Co., 14 Wall street, New York.

United States Bonds. A very informative booklet on this subject. Of especial interest to banks and institutions holding this class of securities and those dealing in same. Harvey Fisk & Sons, 62 Cedar street, New York.

Guaranteed Mortgages. A short study of the various investment aspects of this kind of security. First Mortgage Guarantee Co., New York City.

Natural Resources and Their Value. A brief brochure on this subject giving some general facts to be considered in connection with investments of this kind. White Investing Co., 55 Liberty street, New York.

How Odd Lots Are Traded In. An interesting lot of information for people who are interested in fractional transactions in securities. E. & C. Randolph, 111 Broadway, New York City.

The Odd Lot and Partial Payment Purchases. Two booklets of educational value to those interested in buying small lots of securities in any manner and especially on partial payment plan. Sheldon, Morgan & Co., 42 Broadway, New York.

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompany them. Answers by mail to subscribers only.

Suggested Investment.

I have about $8,000 that I am anxious to invest in stocks that will make me a fair rate of interest, safe and at the same time that have a fair prospect of advancing. The industrials appeal to me. What do you recommend?—L. H.

Many industrial stocks have now been lifted up above their intrinsic value as investments. We would therefore urge caution in buying the industrials. As you say you desire safety, we will pass over the cheap common stocks. You must go into the higher grade common stocks and the preferred stocks of established properties if you would get the maximum amount of safety out of this kind of investment, and you ought to include some of the railroad issues.

We would advise you to spread your commitments as wide as possible; that is, diversify your investments. From the following list you can select stocks which will reduce your commitment in each to a comparatively small amount and give you a good income: American Car & Fdy. pfd. (115½); American Locomotive pfd. (99); American Sugar pfd. (114); American Tobaco pfd. (106); Baltimore & Ohio pfd. (71); Chicago, Milwaukee & St. Paul (95); B. F. Goodrich pfd. (102); Kansas City Southern pfd. (59); Kresge pfd. (109); National Lead pfd. (109); Norfolk & Western (104); Southern Pacific (92), and Virginia Carolina Chemical pfd. (95). With the exception of the last mentioned these are all good dividend-paying stocks and some of them are likely to show a profit later.

Virginia Carolina Chemical pfd. is given because the company paid 8 per cent. dividends on this for more than 20 years until recently. The conditions resulting from the war hurt its business temporarily. When conditions again become normal, dividends will doubtless be resumed.

Allis-Chalmers.

I. H.—Allis-Chalmers pfd. (54) is enjoying a rise in the market based upon the talk that the company is getting some large orders from the steel companies, because they are getting large business on account of the war. Intrinsically we do not feel that it is worth the current price. While it may advance still further in line with the movement in specialties throughout the market, we would not advise its purchase at this level with any enthusiasm.

Southern Pacific—New Haven.

M. G.—Our opinion of Southern Pacific is very high. It is one of the standard investment issues among stocks and one that will retain its intrinsic worth for a long time.

New York, New Haven & Hartford is a stock for a long pull. We doubt whether the New Haven will pay dividends in less than four or five years and when it does pay it is a question whether it will pay more than 4 per cent. for a time, then 5 per cent., and never getting above 6 per cent. But 6 per cent. on the stock looks as far away to us as six or eight years.

Pittsburgh Coal.

J. S.—The company is in arrears about 40 per cent. on the preferred stock in back dividends. From the character of its statements, it would appear that they could pay some of this off. Possibly they can pay it all, but this cannot be known from the published statements. The controlling interest is generally supposed to rest with Mr. H. C. Frick, and the business is a substantial concern. Nothing of value, in the way of news, can be learned from those interested in the company officially.

The ups and downs of the stock have been the result of recurrent rumors that some or all of the dividend would be paid up.

With this mystery facing you, and the opportunity it offers for those on the inside of the company to take advantage of frequent moves in the stock, you can appreciate what your position is. These are the facts; as to whether you should buy additional stock depends on your own position and requirements.

Railway Steel-Spring.

H. L.—Railway Steel-Spring common (29¼) is a fair purchase. The stock is subject to the vicissitudes of the equipment business. Under the conditions existing in the market, and likely to continue for some time, a purchase of the common is likely to show appreciation. The great fluctuations in the earnings make the dividend aspect of this stock uncertain. Once in a while the common might get a little dividend as in 1913, when 2 per cent. was paid. The speculative element in the stock is high. If you hold it for a long pull, you are likely to get a higher price for it.

M. K. & T. vs. Kansas City So.

M. R.—We would not consider M. K. & T. common at 13 as good a purchase as Kansas City Southern common at 26. M. K. & T. is in a lot of trouble due to maturity of notes, while the K. C. S. is in none whatsoever. Furthermore, the M. K. & T. common

stockholders may be given the "privilege," some months from now, of subscribing to some kind of new security of the company to furnish it with additional money which it needs badly. This "privilege" will look more like an assessment than anything else.

Westinghouse Electric.

J. M.—Westinghouse Electric (86) is rather high for a 4 per cent. stock. The company, however, has been doing a better business recently, having gotten a share of war orders, and the stock has reflected this in its price. It is fundamentally a good security. The company is of highest quality. We do not believe that much increase in dividend is likely for some time but in 1914 10.8 per cent. was earned.

Southern Railway.

A. L.—Southern Railway common (18) is one of those cheap non-dividend paying stocks that move up and down with the general trend of the market and with better or worse news on the property. Its intrinsic value is so little that it is these factors that control its market movements largely. Therefore, we should say that you are likely to get your cost price of 20 for it, and possibly some profit, if you hold it patiently.

Pittsburgh Steel.

J. H.—Pittsburgh Steel deferred its dividends last fall because it wanted to conserve its cash resources. In the last few weeks business has improved. About two months ago a full complement of workers went on duty due to a rush of business from war orders. When the present big business has brought its harvest of income the company may consider dividends again. It is one of the many steel concerns subject to the violent fluctuations in that trade.

American Can Com.

G. W. M.—Can common is not as good as it appeared a few months ago and, while the company expects to do a better business this year than last, the common stock is very far away from dividends and only market movements in it may be expected.

Pressed Steel Car Com.

H. H. L.—This is a good purchase for somewhat of a pull. When the equipment companies come into their own it will enjoy a good share of the business and its earnings will jump so that you may expect to see surplus mount to where they can resume some dividends on the common.

U. S. Cast Iron Pipe & Foundry.

W. R.—Hold your Virginia C. C. Co., Can and Republic Iron and Steel, but sell your U. S. Cast Iron Pipe & Foundry as quickly as you can. There is little hope in this stock. If you want to get into a cheap stock for a pull buy some Kansas City Southern common in place of the last mentioned stock.

B. R. T.—U. S. Steel Suit.

How do you consider a purchase of B. R. T. now? Do you think the new subways will have any effect on it? What U. S. Government suit is pending against the U. S. S. Corp?—H. L. H.

We would not advise purchasing B. R. T. now (April 6). We think it is rather high. The new subways are not expected to have any serious effect on it. The whole question of the influence of the subways on the traction properties in New York is problematical. A good many guesses have been made, but that is all they are—guesses.

The suit against the U. S. Steel Corporation that is pending is one to bring about its dissolution on the ground of monopoly and in violation of the Sherman law.

Bond Inquiries.

New York Central Debentures.

New York Central rights for the new debentures have been recently quoted in the market around ⅛, that is 12½ cents apiece. As to the purchase of these bonds, if you want a good investment, it is quite proper that you should buy them. They are not what is generally known as a conservative issue, because they are debentures; that is, bonds without any mortgage on the property.

Japanese Bonds.

We are not pessimistic on the Japanese bonds to the point that we would advise you to sell them on general principles. They, along with all other bonds, have suffered in quotation from the condition of affairs existing abroad. In fact, a good many of these Japanese bonds that have come on the market of late months have come from abroad.

German stamped Japanese bonds are bonds that were owned in Germany and were stamped by the government over there to the effect that the proper tax had been paid. It is a law over there that all foreign securities must be registered as soon as they come into the country, and this stamp on the back shows that this has been done.

Hudson & Manhattan Incomes.

Do you consider Hudson & Manhattan income bonds a conservative speculation?

Your phrase "conservative speculation" is rather difficult to define, but we suppose you mean a speculation of the better class. We would hardly include these Hudson & Manhattan income bonds under that heading.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither THE MAGAZINE OF WALL STREET nor the authorities quoted guarantee the information, but it is considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. Additional items will be found in the Public Utility and the Mining and Oil Security departments.

Allis Chalmers.—BUSINESS improving because of war orders received from other steel companies and because improvement in copper industry is stimulating demand for mining machinery.

Amer. Agricultural Chemical.—DIV. OF 4% on the common expected to be maintained. Business was not hurt as much as other fertilizer companies by the unfortunate conditions in the South, as only a small proportion of its sales are made in the cotton growing states.

American Can.—GOVERNMENT suit possible of compromise, says a Boston banker, who says present administration is not enthusiastic over it. Understood Co. could pay its accumulated divs. on pfd. if it chose. Business better but Co. does not give thorough statements.

Amer. Beet Sugar.—PROFITS available for divs. on the common for the yr. ended Mar. 31 was between 6% and 7%, which is somewhat less than estimated a while ago, but contrasts with 2.29% a yr. previous. War conditions abroad largely responsible for the good showing.

Amer. Cotton Oil.—FUTURE business expected to be better because of injection of new blood into management and broader methods adopted.

Amer. Hide & Leather.—EARNINGS had had a big boost due to foreign purchases, although last quarter not so good as that ended Dec. 31. Last quarter net fell behind $100,000.

Amer. Ice.—SHORTAGE OF the crop of natural ice is working to the benefit of this Co., as the numerous small independents were unable to get a full quote of natural ice. Only a cold summer will spoil the prospects for a good record of earnings. Estimated earnings on pfd. for the yr. are far above last yr.

Amer. Locomotive.—ORDERS FROM foreign governments for shrapnel shells totaled about $65,000,000, of which $37,000,000 was sub-let to New York Air Brake and Westinghouse Cos. Co. invested considerable money in new machinery to fill order, but expects to make large profit.

Amer. Sugar Ref.—EARNINGS IN 1915 will receive a big benefit from the earnings of the beet sugar subsidiaries, which will be the largest in three years.

Amer. Woolen.—LARGE ORDERS received from abroad due to the war. Understood Co. has booked $7,500,000 of business in recent weeks from foreign governments. Profits on war orders more than satisfactory and Co. has something of a windfall in earnings therefrom. Prospects for 1915 earnings best for 3 yrs.

Atchison.—TRAFFIC FOR the past few weeks showed an improvement relatively better than most of the western systems.

Baltimore & Ohio.—EARNINGS for 8 mos. ended Mar. 1 about 10% under previous yr. same period. Notes to amount of $35,000,000 due June 1.

Bethlehem Steel. — ESTIMATED 60% will be shown for the common stock in 1915 due to the war orders, which it is said are sufficient to keep the furnaces working for several yrs., although other parts of the plant are not working at capacity.

Bush Terminal.—REPORT FOR YR. ended Dec. 31 shows $377,201, equal to 7.54% on the common stock, against 4.34% for the previous yr.

Chesa. & Ohio.—GROSS BUSINESS for 9 mos. ended April 1 larger than last yr., but increased operating expenses, decreased other income and higher charges wiped out the gains in gross. This is due somewhat to the putting of money into the property which the Co. is compelled to do.

Chic., Burl. & Quincy.—EARNINGS for 8 mos. ended Mar. 1 showed Operating Income equal to last yr.

Crucible Steel.—INCREASED business due to war orders is helping the income account, but the business is not very big. Co. official recently said they had no big war orders nor were they adding to the plant.

Distillers Securities Corp.—CIRCULAR sent out by the management to stockholders as a result of inquiries about the securities goes into statistics and facts about the Co. and its business, but does not give a clear basis for valuing the securities.

Erie.—GAINS IN both gross and net showing in the earnings. Outlook for the remainder of the yr. excellent and it is expected much better margin after charges will be left this fiscal yr. as compared with previous yr.

General Chemical.—NET PROFITS for first quarter of 1915 increased more than 50%. Figures showed more than 6% available for the common stock for the period.

General Electric.—REPORT FOR YR. ended Dec. 31, 1914, shows 11.12% earned

MINING AND OIL SECURITIES

Buying Stock in a Prospect

Speculation by Outsiders in Undeveloped, Incompletely Financed Mining Ground is Accompanied by Prohibitive Risk

By ARTHUR PRILL

"IN God We Trust" should be stamped not only upon our dollars, but in red ink across the face of every mining Prospect stock certificate. Your faith *may* move the mountain.

When the miner, who has picked away at his ledge for weary weeks, finally finds it widen out and the mineral contents grow so thick that no panning or microscope is needed to inform the practiced eye of possible mill or smelter returns, the man who has done the drilling sits down on a candle-box, sticks his pipe into his face and thinks of a trip to the Big Town. He dreams of lights and songs, of white tables with real napkins, and of a soft bed.

If a promoter happens to stand near him at such a time, and the smoke of that pipe gets into the promoter's brain, another dream evolves—a long white flight of brokers' circulars, flanked by advertising columns, leads to a receiving teller's wicket. The promoter does the banking while around the building stands in hollow square a chorus of hope-eyed speculators chanting: "Nearer My Golden Bull to Thee."

Big Profits is a false god, and nowhere is his worship so fraught with risk as when offerings are made on the chance that a Prospect will make good. During the last year the United States Smelting, Refining & Mining Company was offered 614 mining properties. A short office examination was sufficient to show that 490 of these did not deserve actual inspection. Preliminary field examination of 100 was made, and 24 of these appeared worthy of thorough sampling and appraisal. From the latter group three were selected for purchase, and options were taken on three more. On one of the latter the option was not exercised. The engineering staff of U. S. Smelting has few peers, and its verdict of "Five mine-making Possibilities" out of 614 offers of undeveloped or partially developed metal-bearing ground, gives a good idea of what chances the average Prospect has in the effort to build a dividend payer.

When a strong mining company undertakes the development work, two favorable factors are brought into play: An existing organization and the necessary capital with which to carry out the engineering plans. In creating any new business, whether mining, motor car making or canning fish, the most vital ingredient of success lies in the human components of the whole machine that is to turn out gold or tinned salmon. The great leaders in finance, in politics, in military tactics, have been men who knew how to develop the capacity of those about them until a corps of capable lieutenants enabled the commander of the organization to multiply himself wherever the work demanded.

Novelists, short-story writers and other typewriter and movie miners have miseducated the public into a belief that about all a prospector has to do is to shoot a heavy-booted villain at the tunnel mouth, save a girl from the clutches of an intriguing city chap, and carry a hundred thousand dollar brick of bullion to the United States mint. In real life it is difficult for a mining camp villain to last till he gets shot—somebody is more likely to pet him on the head with a chair, which teaches him the beauty of an innocent heart and he reforms while his hair is curly. Single girls whose pulchritude is unhampered by buck teeth don't wait around mining camps for city chappies; there are too many good boys right on the spot the

minute she jumps off stage or motor car. Further, it takes two men to lift a genuine $30,000 gold brick, and they won't carry it far.

The real hard grind of developing a prospect is uninteresting except to those who are staking all they have on the result. If it is a matter of developing a large, low-grade ore body whose extent has already been ascertained, the requisite capital can readily be found and the only difficulties are of a technical nature. They may be connected with efficiency of mill or smelter practice, or founded on the necessity of taking the ore out of the ground at an unusually low cost in order that the whole process be profitable. Modern engineering talent usually finds a way to meet all such requirements, and therefore this type of prospect is a good speculation for the public. Purchasers of such stocks as Alaska Juneau need not worry about the ultimate result, although it is hard on human patience to see lighter issues of the gambling-chip, Jumbo-Extension type jump by, to high quotations, while your own low-grade property slowly strips surface dirt, makes underground openings, adds unit to mill unit, or stack to smelter stack.

The difference to your bank account is that when the low grade property's development is complete the rise in market value has a solid foundation, and dividends are likely to yield a big return on the original speculation; the high-grade mine, on the other hand, shows profits usually on the paper on which you figure out what you *ought* to have done. Only one speculator in a hundred gets in on the quick rise to which these jumping-jack stocks are subject for the simple reason that the good news is fed out *after* the movement. That news may seem to come steadily for weeks, but the average outsider never really gets in on time because the house behind the issue knows where the majority of stockholders stand, and tempers the wind to the unshorn goose. The latter, contrary to a cherished fairy-tale moral, can never quite be killed—there's always one egg more, and the animal needs no bone making food.

Once a stock is listed on a good curb market there is at least a chance that the early sucker may unload on a later worm, but the Double-O, which covers about four-fifth's of the mining stock table, is composed of promotion stocks, which, when once bought, can not be got rid of except by a capital operation.

Bad Luck and Poor Judgment may trail Best Intentions; a high grade prospect can absorb not only an outsider's money, but an insider's life blood, and yield no more return than the skirted vampire for whose acts we could never guess the reason why.

Public's or Insiders' Market

One question which is good for an unlimited amount of argument in any board room is as to whether the present market is a creation of the "insiders" or the "public." It is asserted by one contingent that the insiders were left out in the cold and the public took the reins away from them. The other side claims that the "public" never yet has shown brains enough to buy stocks in quantity when they were low and that the insiders engineered the rise and will take the lion's share of the profits—and so on *ad infinitum.*

Bargains in Dividend-Paying Coppers

By J. M. TRAINE

IF there be truth in the axiom that a copper stock is entitled to sell at ten times its earnings per share, then the "Boston Coppers," so called, are selling at bargain prices and are entitled to a large appreciation.

Speculative interest is naturally directed to the coppers as a body by the reports of sales of Lake as high as 21 cents and of Electrolytic Copper as high as 18¼ cents per pound. These prices may be properly termed "Boom Prices," and have not been approached for several years; in fact, 1907 was the last year in which copper sold as high as 18 cents and in the interval the metal has been as low as 11½ cents.

High prices for copper metal naturally mean higher prices for copper shares and the increased earnings of the companies on the advanced metal basis are quickly reflected in the companies' earnings and in the case of the dividend payers in increased dividends.

Another factor which will interest the man who is looking for quick action is the limited share capitalization of many of the Boston Coppers—the Lake Companies in particular having share capitalizations as low as 50,000 shares, as in the case of Ahmeek, while in the majority of the Lake Companies 100,000 shares is the rule. These share capitalizations compare with 870,000 shares in the case of Chino, for instance, while the other porphyry coppers, Utah, Inspiration, Ray and Nevada Consolidated, are in the same class—all with large share capitalizations. It is not meant that the share capitalizations of these companies are unduly large as compared with their assets, but unless there is a very active interest it is difficult to obtain quick action in the stocks of these companies.

With the Lake issues it is entirely different—in the Calumet and Hecla subsidiaries especially—and the development of a buying power of any magnitude whatsoever is usually sufficient to bring about a sharp advance in prices. This rule, of course, works the other way and it is often difficult to get a close market on these issues on the Boston Stock Exchange.

The first question that arises in the mind before considering individual stocks is as to the stability of these figures for the metal. Authorities say that instead of there being a prospect of lower prices the outlook is for an even higher plane, regardless of the date of termination of the war. While there is no doubt but that war orders are a large factor in the present movement, it is contended, on the other hand, that there is an uplift distinctly noticeable in general lines of brass and wire manufacture—lines separate and distinct from war requirements. As for the immediate future it would not be surprising to see prices advance even higher than at present, perhaps even before this article is published, and sellers of the metal are refusing to contract for their output at these prices for any long term ahead. One of the largest producers was bid an amount substantially higher than current figures if he would guarantee deliveries up to December, but he refused. There is no difficulty in obtaining these prices from buyers, and it is possible to contract at them for long periods. This should allay any doubts as to the permanency of metal prices for the present year at least.

While there are a few copper shares traded in on the New York Stock Exchange, the primary market for the Lake coppers and the Bisbee group is on the Boston Stock Exchange. Here interest in the coppers has manifested itself to such an extent as to bring about record transactions on the board. On Thursday of last week the total turnover was 170,804 shares, a record since December, 1909, and approximating 24 per cent. of the total transactions on the New York Stock Exchange on the same day, comparing with an average percentage of about 10 per cent. for the past few weeks. While these figures, in themselves may not be of interest, they are

Company.	Annual Production lbs.	Cost per lb.	Earnings per share.	Last sale April 23.	1914 High.	Dividends paid in 1914.
†Ahmeek	‡24,000,000	7c	$52.00	360	300	$6.00
†Allouez	8,000,000	10	6.50	56½	43¾	....
Anaconda	260,000,000	10	4.50	38	38¼	2.50
Calumet & Arizona.	50,000,000	8	8.00	72	70⅛	3.00
†Calumet & Hec.....	75,000,000	9½	65.00	615	460	10.00
Chino	70,000,000	7½	8.00	47½	44	2.50
†Copper Range	40,000,000	8	8.50	60	*53	*2.75
Granby	35,000,000	10	15.00	83	91	3.00
†Isle Royale	9,000,000	10½	4.50	33½	*33⅞	*1.00
Miami	36,000,000	8½	4.25	26⅜	24⅜	1.50
†Mohawk	15,000,000	8	15.00	80	49½	1.00
Nevada Cons.	65,000,000	9	2.60	15	16½	1.12½
North Butte	25,000,000	10	4.00	36½	30¾	1.50
Old Dom.	30,000,000	9	7.75	56½	54	4.00
Osceola	18,000,000	10½	13.50	90	84	1.00
Quincy	22,000,000	10	16.00	94	68	.50
Ray Cons.	75,000,000	8½	4.50	24½	22½	.75
Shannon	12,000,000	12½	1.75	10½	13½	* .50
Tennessee	15,000,000	11	4.50	33⅜	36¾	2.25
Utah Copper	150,000,000	7½	9.00	70	59⅜	3.00
†Wolverine	7,500,000	9	11.00	68	47¾	2.00
Shattuck Ariz	15,000,000	7½	4.00	29½	29¾	2.00

‡With two new shafts soon in commission.
†Lake Superior properties.
*1913.

important as indicating the spread of speculative interest in the so-called "Boston Coppers."

Prices have advanced considerably from the recent low as shown by the average prices of 20 active coppers, which had risen from a low of 30.54 in January of this year to 52.61 at the end of last week. These figures compare with recent years as follows:

Year.	High.	Low.	Average Price Elec. Copper. Cents.
1906....	74.57	46.98	19.77
1907....	80.09	28.66	20.86
1908....	60.13	34.04	13.39
1909....	60.79	46.96	13.11
1910....	58.50	30.65	12.88
1911....	39.74	26.69	12.55
1912....	49.62	35.44	16.48
1913....	44.96	30.36	15.52
1914....	40.63	30.01	13.31½

The large table presented herewith, while it gives the essential facts regarding 22 of the most prominent coppers on both the Boston and New York Stock Exchanges, is still incomplete, and further details in table form regarding each of the stocks will be given in a later issue. This table shows the annual production in pounds for the current year (estimated), cost per pound figures, obtained in most cases from annual reports and in others partly estimated for increased production, earnings per share on 17-cent copper (taken for purposes of conservatism), closing price of stocks on April 23 (latest figures available), and high price reached in 1914, together with the total dividends per share paid in 1914.

In reading this table it should be borne in mind that the dividends paid in 1914 were earned upon an average selling price for the year of 13.31½ cents per pound for Electrolytic and 13.61 cents per pound for Lake Copper. As the earnings in the table are computed on a basis of 17 cents per pound for Electrolytic and 18 cents for Lake, comparing with actual prices at this writing of 18.25 cents for the former and 21 cents for the latter, actual earnings are therefore much greater than those shown. The stocks are proportionately more attractive at their present selling prices, as the per cent. of earnings is actually greater than shown in the table.

Glancing at the table of costs, we find that Ahmeek, one of the Calumet & Hecla subsidiaries in the Lake Superior district, holds the record as the lowest cost

per pound producer. The comparatively high price at which this stock sells naturally takes it out of the list for the average trader. Next, as low cost producers come Chino and Utah Copper, well-known porphyry properties whose shares are actively traded in on the New York Stock Exchange, and Shattuck-Arizona, a property of limited capitalization located in the Bisbee district of Arizona. In considering this last company as well as the Lake Companies it should be noted that every one cent advance in the price of copper means a more substantial added profit per share than in the case of the Porphyries with their large share capitalizations. While 18 cent copper means additional earnings of 90 cents or $4.90 per share for Shattuck, it would mean but about 75 cents additional, or $8.75 per share for Chino, with the ratio increasing in favor of the smaller capitalization with every cent per pound advance.

For the man who is not familiar with the different copper properties the Lake Superior companies have been distinguished from the others by means of a dagger (†) in front of them.

A careful consideration of the facts presented in this article will show, it is the writer's belief, that the copper stocks, as a body, will warrant the attention of the man who is looking for large profits, and who is willing to take a little risk. Copper stocks are hardly to be looked upon as an investment for the funds of widows and orphans, but a diversified investment in the Porphyries, the Lake stocks, and the Bisbee properties at current prices is almost certain to show a large appreciation in the immediate future. There is an active market in these shares at present and with the limited capitalization of some of the properties quick action is assured—and dividends will be almost certain to reflect the increased rate of earnings on the higher price of the metal in the near future.

In succeeding articles the individual characteristics of each of the coppers listed herewith will be taken up.

The Mining Situation

Demand for Copper Insatiable—Long Bull Movement In Metals Predicted

A CONSIDERALBE advance in prices both of copper metal and of copper mine stocks has been completed, yet the situation remains entirely healthy. Lake at 21 cents reminds us of the boom days of 25-cent copper seven years ago, but the situation is different in as much as the price movement had then no warrant, whereas now the world's demand is more likely to increase than to decrease.

The British Government has, according to report, obtained virtual control of the world's copper supply. Even German producers in America have been compelled to come to Britain's terms as the blockade against Germany has proved effective across neutral channels of trade. From a commercial point of view the incident, however astonishing it would ordinarily be, dwindles to the size of a housewife's purchase of three dozen eggs—this war is costing $40,000,000 a day. Home consumption, too, is growing and predictions are made in well-informed circles that a long bull movement has only begun.

In the spelter market new buying pressure has sent May up to 11 cents. Consumers have been frightened into buying, for the future, very little metal offering for prompt delivery. Tin supplies in this country are growing very scarce and restrictions placed upon their exports from England tend to make the market erratic. Quick-silver has benefited by war conditions as its use enters into the manufacture of explosives. Domestic production will probably feel an increase. Speculation in the general mining list is gaining headway.

Mining Inquiries

The Speculative Leader.

What coppers do you regard as the best to purchase? Is the Tennessee too high at 33½? If Amalgamated dissolves, is it likely the street will place Anaconda in its stead as a leader of the coppers?—H. D.

Among the best coppers into which we could advise you to put funds are Utah, Chino, Miami and Inspiration. While Tennessee may rise to higher levels, we do not favor this stock at present. Whether Anaconda will obtain prime position in the speculative public's popularity is as impossible to foretell as that fickle public's decision on this or any other subject of the world—from the beheading of the king to the choice of an after-dinner cheese.

Ray Consolidated Copper.

A. C. S., Esq.—This Co. was incorporated in 1907, owns 2,145 acres at Ray, Ariz., six miles from Kelvin on the Phoenix & Eastern R. R. Connection between Ray and Kelvin is by the Co.'s own railway. Capital stock consists of $16,000,000 authorized, $14,549,290 outstanding, shares par $10, and bonds to amount of $2,708,000 in ten-year first sinking fund 6's, convertible at 20. When the Co.'s plant shall be completed and working at full capacity, it will produce, according to estimate, 80,000,000 lbs. of copper at a cost of 8 cents a pound. Profits for 1914 were $2,559,045, comparing with $2,497,219 in 1913 and $1,814,206 in 1912. Dividends paid were $1,089,328 in 1914 and $1,631,504 in 1913. Production in 1914 was 59,044,470 pounds copper. The price on the stock ranged in 1909 and 1910 from $7.50 to $27.50; in 1913 from $15 to $22; in 1914 from $15 to $22.50, and in February, 1915, from $15⅞ to $17⅞. Action on the dividend payable March 31, 1915, has been deferred. The last disbursement was 37½ cents in June, 1914. Such passing of dividends is due to curtailment of output, which was at about the rate of 50 per cent., but has recently been increased to about 66 per cent., and resumption of dividends is expected in the near future, if the copper market continues strong. This is an underground, not a steam shovel mine, hence costs of production are comparatively high, running during recent months at about 8.7 cents a pound. At present prices we consider this stock an excellent speculation for the long pull.

Miami Copper Co.

This Co. was incorporated in 1907, owns mining property in Globe, Arizona. Its concentrating plant has a daily capacity of 3,000 tons. The company has a smelting contract with the Greene-Cananea Copper Co. expiring in 1926. Initial dividend of 50 cents was paid May 15, 1912; same rate quarterly to August 15, 1914, inclusive. Dividend due November 15, 1914, was deferred. Total income for year ended December 31, 1913, was $5,203,850; net $1,582,185; surplus after dividends $217,090. Ore reserves consist of 37,000,000 tons of 1.85 per cent. sulphide ore and 6,000,000 tons of 2 per cent. mixed sulphide and oxide ore. Output in 1914 was 33,000,000 pounds copper, at a cost of 9.333 cents per pound. We regard this stock as one of the most promising of the copper issues.

A Regrettable Mistake.

I have invested $160 in 20 shares of Quicksilver Mining stock. In order to retain my holdings I have been requested to put up $30 in addition to what I have already paid. What is your advice?—H. M. A.

Your investment in such a stock as the Quicksilver Mining Co. was a regrettable mistake, and we cannot recommend that you send more good money after the $160 which it seems you have already paid out.

We would advise you to read the mining articles in the Magazine of Wall Street, and those which will follow, for an education in conservative mining investment. Even if you start with a small capital and handle it carefully according to our advice, you should in the course of time regain your losses.

Cobalts Doubtful for the Present.

D. R. C.—All of the Cobalt mines are suffering from the depression in the silver market, and it is not possible to say whether or not any real strength in this metal may be expected in the early future; hence we would advise an active speculator to sell these issues and take up some of the good coppers, such as Utah, Inspiration and Chino. A more speculative issue would be Chile Copper. Among the very low-priced stocks of still more speculative character, but reasonably safe and yielding a high dividend, Goldfield Consolidated can be recommended.

Camp Bird.

L. D. P.—This Co. owns valuable properties, but must be considered as a highly speculative issue. We cannot recommend its purchase by outsiders, although big profits may be made in the stock by those intimately acquainted with the property and management.

If you already hold it, and wish to avoid undue risk to the money represented by its present market value, we would advise sale and re-investment in a more conservative mining stock, such as the low-grade, large ore body coppers: Chino, Ray, Utah Copper and others. A lower priced, but safe issue is Tonopah Mining. Good speculations at different levels are Alaska Gold and Goldfield Consolidated.

Mining Digest

Ahmeek Mining Co.—CAPITAL INCREASE. Owners of more than 20,000 shares have expressed themselves as favorable to proposal to increase capital stock from 50,000 to 200,000 shares. Calumet & Hecla understood to be ready to vote its 24,512 shares for same plan.

Alaska Gold Mines Co.—MILL reported doing splendid work, with tonnage treated and recoveries fully up to expectations. When finally adjusted entire plant will handle 10,000 tons. The second 2,500-ton section will be ready in 60 days. Tonnage for March was about 40,000.

Alaska Juneau Gold Mining.—ALLOTMENTS to subscribers for 400,000 shares new stock have been made in ratio of approximately 25% of amounts called for. Total subscriptions are reported aggregated over 2,000,000 shares.

Amalgamated Copper.—DISSOLUTION RUMORS continue but are given no official credit. Annual report for 1914 soon to be issued. Quarterly dividend of 50 cents payable May 31 to stock of record April 24. Stock has risen on market steadily since Feb. 24 from 51⅜ to 75½ without a 2 pt. reaction.

American Smelting & Refining.—MEXICAN PROPERTIES have sustained only trifling damage, according to Vice-Pres. Brush.

American Zinc, Lead & Smelting.—NET PROFITS for first half of current year are officially estimated at $1,000,000 or substantially the amount of the Co.'s indebtedness. Large sales of product have been made for delivery as far ahead as July and August at 14¾ cents a pound. $75,000 addition now being built to concentrating mill will give total capacity of 1,800 tons of ore daily.

Anaconda Copper Co.—WORKING every mine that it is possible to work, says Pres. B. B. Thayer. When new work is completed, output will be increased to about 28,000,000 lbs. copper monthly. Rumors of plans for dissolution of Amalgamated Copper Co. include increase of Anaconda share par value from $25 to $50, cutting number of outstanding shares from 4,600,000 to 2,300,000.

Arizona Commercial.—OUTPUT of 6,000,000 lbs. copper a year in immediate prospect with reopening of Old Dominion smelter. Shipments were begun at rate of 100 tons a day, and this will be doubled as soon as the smelter can take the increased production. By May, output should be 500,000 pounds a month.

British Columbia Copper.—REPORT for year ending December 31, 1914, shows deficit of $39,765. Operations were suspended in latter half of year, owing to disturbed conditions in copper market. Surplus as of December 31, 1913, reduced by $500,000 due to writing off of properties, and now stands at $23,530. Co. borrowed $348,000 from Canada Copper Corp., the holding Co.

Butte & Superior Co.—APRIL OUTPUT and profits will exceed all previous records according to present indications. American Metal Co. has agreed to take 1,500 tons of Butte & Superior concentrates a month, more than the 5,000 tons which was placed as maximum recently. This will prevent accumulation of excess.

Butte New York Copper Co.—BOND ISSUE of $500,000 authorized by stockholders in ten-year, first mortgage, convertible incomes, dated June 1, 1915. Convertible at option of holders at any time before maturity into stock at par. $150,000 will be used to pay debts and for development work. Stock increased 300,000 shares; par changed from $5 to $1.

Canada Copper—TO CONSTRUCT a 1,000-ton concentrator. British Columbia Copper, the operating subsidiary makes official announcement that 6,600,000 tons of ore have been blocked out, carrying 182% copper with 35 cents precious metal value per ton.

Chino Copper Co.—REPORT for year ended December 31, 1914, showed net earnings of $3,222,579 or $3.70 per share compared with $3,234,034 or $3.75 per share in previous year. Ore reserves are given at 90,000,000 tons, averaging 1.75 per cent. copper.

Dome Mines.—PRODUCTION for fiscal year ended March 31, last, estimated at $1,160,000. Grade of ore slightly above $4 a ton.

East Butte Cop. Min. Co.—RESUMES operations after shut down since last August. Mine to be run at capacity.

Franklin Mining Co.—REPORT as of December 31, 1914 shows surplus of $117,165, compared with a deficit of $100,000 at close of previous year. Only production during the 12 months came from test stamping of 7,324 tons of rock taken from new openings. Production campaign will begin as soon as certain necessary underground connections can be made.

Granby Consolidated M. S. & P. Co.—OPERATING full. Seventh and eighth furnaces at Grand Forks, D. C. now being blown in.

Houghton Copper.—ASSESSMENT of $1 a share declared payable May 25.

Indiana Mining.—REPORT for year ended December 31, 1914, shows deficit of $29,532, comparing with a surplus of $6,730 previous year. Mine expenses were $28,542.

Isle Royale.—MARCH OUTPUT more than 790,000 lbs., the largest for one month in Co.'s history. If copper holds at 17 cents dividends should be resumed before close of year.

Lake Copper Co.—RESUMPTION ordered but mine is half full of water, and it will be 90 days before actual mining can begin.

La Rose Cons. Mines Co.—REPORT for 1914 shows net profit $217,979. Reserves consist of 200,000 ounces of silver in high grade ore pillars, and enough concentrating ore on the dump to keep mill running for a year.

McKinley-Darragh-Savage Mines.—REPORT for 1914 shows that 1,660,076 ounces silver were produced. New ore developed is expected to yield 582,896 ounces.

Miami Copper.—REPORT for year ended Dec. 31, 1914 shows balance after interest and depreciation $1,231,538, or $1.64 per share on 747,112 shares outstanding, comparing with $1.68 on $746,759 shares for year previous. Costs averaged $8.45 cents a lb. a new low record for the Co.

Nevada Cons. Cop. Co.—REPORT for year ended Dec. 31, 1914 shows deficit after dividends $779,017, comparing with deficit of $102,534 in 1913, and a surplus of $1,343,396 in 1912. Costs were 13.396 cents a pound, comparing with 14.879 cents previous year.

North Butte Mining Co.—REPORT for year ended Dec. 31, 1914 shows deficit after dividends, $276,785, comparing with surplus of $617,777 in 1913. Net profits for 1914 equalled 83 cents a share, comparing with $3.34 in 1913.

North Lake Mining Co.—REPORT for year ended Dec. 31, 1914, shows expenses amounting to $30,749. Balance of assets on Dec. 31, 1914, was $18,946.

Quicksilver Mining Co.—REORGANIZATION PLAN agreed upon by majority of stockholders. These will receive in return for stock turned in, the voting trust certificates of Quicksilver Investment Co. on basis of one share of second preferred for 10 shares of Quicksilver Mining preferred on payment of assessment of $3 for each share turned in. Common stock of old Co. is to be exchanged in the ratio of ten for one share of the new Investment Co. on payment of an assessment of $1.50 a share.

Quincy Mining Co.—REPORT FOR 1914 shows net profits $205,593, comparing with $76,160 in 1913, and $960,779 two years ago.

Tennessee Copper Co.—REPORT for year ended Dec. 31, 1914, shows net profits $650,766, equal to $3.25 a share on 200,000 shares capital stock, comparing with $966,703 or $4.83 on same number of shares previous year. There was little or no curtailment during year, as 1914 yield was 12,871,113 pounds, comparing with 13,539,516 pounds in preceding year. Average cost was 11.84 cents per pound, as against 11.34 cents in 1913. Ore reserves are given at 4,010,661 tons, a decrease during the year of 144,323 tons.

Tonopah Belmont Development Co.—REPORT for year ended February 28, 1915 shows net income $1,456,698, equal to 97% on $1,500,000 stock, and compared with 134% in 1914 fiscal year, and 118% in 1913. Dividends paid in 1915 aggregated $1,462,503.

Tonopah Mining Co. of Nevada.—REPORT for year ended February 28, 1915, shows total income, $1,050,124, comparing with $1,363,441 in 1914. Surplus after dividends $50,124, comparing with $63,441 in previous year.

Utah Copper Co.—REPORT for year ended December 31, 1914 shows operating revenue $16,222,456 comparing with $17,797,564 in 1913. Net profits were $8,678,491, equal to $5.34 per share on 1,624,490 shares outstanding, and compared with $8,513,105, or $5.37 per share on 1,583,680 shares outstanding for previous year. To January, 1915, there were developed 377,690,400 tons of ore, of which 269,640,000 tons are classed as fully developed, and carrying an average of 1.57% copper. Work of stripping at the mines has progressed to such an extent as to permit economical production of any tonnage the reduction plants may be able and called upon to treat. Quick assets Jan. 1 were $3,967,000, comparing with $3,415,000 the year previous. This figure is rapidly being increased.

Wyandot Copper Co.—CASH ASSETS are shown by annual report as of April 1, 1915, at $12,205, compared with $26,887 at close of previous fiscal year. There is still due $27,360 from unpaid assessments. Development work which was suspended Dec. 1, last, has been resumed.

Stock Market Glossary

Expression: ***To be "locoed."*** **Meaning: To be short of American Locomotive common and have the market open up 18 points higher than the previous close, as happened one day not long ago.**

Notes from the Oil Fields

Alberta Petroleum Cons. Co.—FINANCIAL STATEMENT given out at recent annual meeting shows that Co. had in bank $30,267; accounts collectible, $3,357; and a $5,000 credit to be used against further drilling contracts. Co. has 60,000 acres leased, seven drilling outfits and $27,000 worth of casing.

Anglo-American Oil.—IMPORTS large; Co. received 2,800,000 gallons oil during last week reported on. War has greatly benefited Co.'s business. Predictions of an increased dividend in July are not officially accredited.

Associated Oil Co.—REPORT for yr. ended Dec. 31, 1914, shows net earnings $4,249,041. Surplus, $3,317,527. Depreciation reserve, $2,052,774. Profit and loss surplus, $1,264,752. Pres. Sproole declares Co. in sound financial condition, having cash balance of $1,950,279. Current assets exceed current liabilities by $5,887,828. During year dividends paid aggregated $1,200,000. Although outstanding funded debt shows an apparent increase during yr. of $496,000, there is an increase in bonds held in treasury amounting to $600,000, resulting in an actual decrease in bonds in hands of the public of $104,000. On January 15, 1915, trustee purchased and canceled from sinking fund provided during the yr. $1,113,000. Oil in storage at close of yr. was 7,157,932 barrels, a decrease of 1,437,213 barrels from previous yr.

Atlantic Refining Co.—PRODUCED and disposed of more than 47,000,000 gallons gasoline in Pennsylvania and Delaware alone, in 1914, according to unofficial report.

Galena-Signal Oil Co.—BALANCE SHEET as of Dec. 31, 1914, shows large increase in cash. This item stood at $1,424,970, compared with $544,154 on Dec. 31, 1913, and further with $1,292,468 at the end of 1912. Accts. pble. Dec. 31 last were $1,786,298, compared with $2,185,486 at end of 1913. Including merchandise, working capital, as of Dec. 31 last, was $6,765,998, compared with $7,185,593 at end of 1913. Galena has been clearing up all doubtful items made necessary by war conditions. During year $338,448 was charged out of profit and loss for losses for doubtful items accrued prior to 1914. After this charge the profit and loss surplus, as of Dec. 31, 1914, stood at $570,000, compared with $926,000 at end of 1913; however, the 1913 surplus was debited $4,000,000 on account of the common stock dividend of 50%, declared out of surplus, May 15, 1913.

General Petroleum.—REPORT for 1914 shows loss of $375,389. Sales totaled 5,680,238 barrels fuel oil and distillates for a total of $3,453,911, an increase of $1,314,281 from previous year. Net operating profits were $655,181, an increase of $368,614. Since May, 1914, Co. has been in default on its interest coupons. Reorganization declared necessary by Pres. Barneson on plan which should reduce if not eliminate fixed charges.

Gulf Refining Co.—HAS CONSTRUCTED one of finest receiving and distributing stations on coast at Providence, R. I. Storage tanks to hold 275,000 barrels of oil are located on high ground and empty by gravity.

Houston Oil Co.—UNDERWRITING of approximately $1,300,000 in 6%, new series, timber certificates now in treasury of Co. has been arranged for by a syndicate of banking interests. Proceeds will retire similar amount of old certificates maturing Aug. 1, 1916.

Indian Refining Co.—$800,000 LOAN PLAN. In a letter to holders of its 7% second mortgage notes, maturing May 1, 1918, Co. asks noteholders to sign supplemental agreement by which payment of $33,000 monthly into the sink. fund be waived for 18 months from June 1, 1915, in order to enable the company to obtain a loan of $800,000 to carry out sink. fund requirements of first mortgage, make a car trust payment of $80,000 July 1, 1915, pay the $300,000 second mortgage notes due May 1, 1915, and for working capital. Consent of 85% of the second mortgage noteholders is necessary to make the plan operative.

Mexican Petroleum.—FOREIGN BUSINESS likely to increase, as arrangements have been completed for formation of an English Co. to handle Mexican's output abroad.

Mid-West Oil Co.—NET EARNINGS for 1914 are reported at $449,553. Co. has appealed to the U. S. Supreme Court for a rehearing of case in which court upheld President Taft's withdrawal in 1912 from public entry of thousands of acres of mineral lands in Rocky mountain and Pacific coast states. Co. asserts that court failed to decide controling question as to original power of the President to withdraw public lands, in the absence of statutory authority. It is stated that court's decision was erroneous because it in effect laid down the doctrine that "Congress can legislate by silence."

Ohio Oil Co.—PROFIT AND LOSS SURPLUS as of Dec. 31, 1914, shows an increase of $5,370,374, which, together with dividend payments of $4,350,000, indicates that net earnings after depreciation amounted to $9,720,374, equaling almost 65% on $15,000,000 capital stock. In 1913 indicated earnings were 152% on stocks and dividends totaled 57%, due to abnormal increase in price of crude. Assets and liabilities for 1914 were $84,294,035, comparing with $79,427,545.

Standard Oil of Calif.—STOCK ISSUE of $4,768,000 approved by California Railroad Commission.

TRADERS' DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

The Graphic as an Aid in Determining Swings

By H. H. LAKE

YOU have often wished you could take a peep into the future, have you not? You have also been told just as many times as you have expressed such a wish that it is impossible for any man to foretell with absolute certainty what will happen in the next five minutes, and you realize this must be so. Yet Napoleon, Pittsburgh Phil and John W. Gates wooed and won fortune by foretelling with accuracy the course of events anywhere from minutes to years ahead of the occurrence. Gates' familiar "Betcher a million" was simply an expression of the man's aggressive confidence in his superior judgment. Let me try to tell you how some people anticipate the course of stocks with increasing accuracy until the hits recorded for them on Father Time's scoreboard obtain a preponderancy over the goose-eggs.

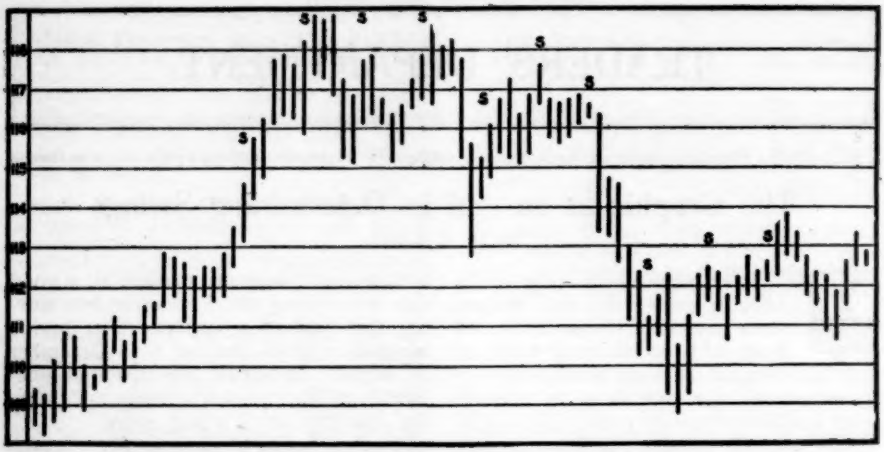
If you will take the trouble to add the daily highs and lows (don't bother with the mean or average figures at first) of ten standard representative issues, average the results by dividing by ten, and make a graphic of vertical lines as indicated below, you will have before you a picture of what the market *has done*, in general, from the last two or three months right up to today, and after you have gained some knowledge of market action, past and present, you may be able to deduce what is coming. At the least, you will surely have a good check on buying at the top and selling at the bottom of the intermediate swings.

In the accompanying chart you have the story of a rise, distribution at the top, a false break followed by a recovery, probably driving the shorts to cover, the final dull period preparatory to a drop, and the drop itself, followed by some rebound, and accumulation for another rise. Each vertical line represents a day. Saturdays are marked S, a good day for making short commitments during this kind of a market. The period covered is from October 6 to December 31, 1910. It shows the customary behavior of the market during and after the culmination of a bull move.

Market action does not, like Cleopatra, possess infinite variety; that is to say, its variety of action is finite or limited, and having exhausted its repertoire it must repeat. Do not misunderstand me as advocating the study of simple repetition as a guiding principle. You will find that while the market does repeat over and over again it does so under different conditions, sufficiently different to cloud the issue and prevent you at first from recognizing the repetition until after it has occurred—if you depend entirely upon repetition to guide you. A lot of people make this mistake. Witness the numbers of earnest but silly chart fiends endeavoring to reduce operating to a simple mechanical basis. True, the market is more or less of a machine, but one that is as sensitive to impulse as the steering wheel of an automobile.

The main difficulty with these graphics seems to you to be their complexity. You listen to the inventor or advocate of some particular graphic start to explain his methods; you follow along readily for a little way, then all becomes Greek, or Latin, or algebra, the tangle seems too great, ideas too conflicting, and you lose the thread.

You become bewildered by a multiplicity of detail, and finally arrive at the following conclusions: (1) The fellow's mind must be profound to grasp the salient points from so many opposed ideas. (2) He must have had a great deal more experience and patience than I. (3) He doesn't know what he is talk-



CULMINATION OF BULL MARKET AS SHOWN BY AVERAGES.

ing about himself.

You might also note that when these graphic makers and users start to explain their system or methods of obtaining indications they meet with a storm of irrelevant questions. When a man finds a thing difficult to comprehend he naturally asks questions. Some ask pertinent questions and get right down to the information needed to make the situation clear in their minds, but the large majority flounder around, hit or miss, and lead the mentor so far afield, so far away from what he had intended that he himself becomes confused. Then "Damnant quod non intelligunt" or "They condemn what they do not understand" nowadays just as quickly as ever did a Roman mob.

Most people lack the necessary acquaintance with the twin sisters Patience and Perseverance to maintain a daily graphic. You don't have to do the actual work. You can find dozens of starving clerks who will follow instructions faithfully in figuring out and maintaining the graphic for a few cents daily, keeping the *result* up-to-date for you at all times, and some of the best informed men follow this plan. A few are capable enough to keep the whole thing in their heads; with these we are not concerned.

This may seem a slow way of gaining knowledge, but it is commended to slow people. Mind you, not all slow people admit even to themselves that they are slow. It is characteristic of American life to desire to travel at a high-geared six-cylinder pace, even when Nature has designed their chassis with a one jackass power engine. Even though you are one of the fortunates born with speed and grasping things in a flash, despising the sort of patience necessary to construct a Persian rug, or an adding machine, do not condemn the plodder. You will find he gets there by a slower route but more surely.

You may sense the true situation in a few minutes of concentrated thought, and he may take a couple of days to arrive at the same conclusion, still if he brings home the bacon you can't deny that he has landed quite as effectively as you have, if not in quite as sensational or pleasing a manner.

The instinct to emulate is strong, hence we behold the naturally slow endeavoring to match their speed with the best. People who would scout the idea of a cart-horse rivaling a Sysonby will allow their faster opponents to skin them out of half their points at a public euchre game, and they do the same thing in the market.

Play your own game in your own way. If the market doesn't suit you, wait for a market that does. Don't let conditions hurry you into a commitment. The percentage of losses due solely to impatience must necessarily be large. Don't

buy a stock just because of the infectious enthusiasm of a broker, or a friend who has made money in it. Very likely the rise that gave him his profit means that the upward move is through for the time being, and if you are operating for the swings you are not to consider the too distant future.

You are not to consider such things as earnings, book value, water, general merit, good news, dividends, etc. If your purpose is to cut the middle, i. e., seven or eight points, out of a 10 or 12-point swing, what do you care about the prospects of X Y Z or its condition a year from now?

You are not making an investment. Market action and the market position of your intended medium are all you are to give attention to. One of the most perilous of popular fallacies is the ever repeated attempt to combine speculation and investment. I have known misguided wights who made the most elaborate compilations of data relative to a number of stocks, selecting the one which showed up best by comparison, and buying that one, often after a good rise, when their sole intention and hope was to get a 10-point profit and cash in.

If you must combine speculation and investment select a good standard issue with a long record of dividend payments, that has an issue of convertible bonds, and buy the bonds at a time when they will pay you five or six per cent. on your capital. All you have to do now is to sit around looking pleasant and collecting the interest on your tied up capital until the stock is 30 or 40 points, maybe more if Allah is good, above the conversion point, then exercise your conversion privilege and sell the stock. You can omit shaving while waiting and thus derive an additional bonus from the sale of the long flowing whiskers you will have acquired in the interim.

No use for me to tell you how to make comparisons or deductions. I might help you a little, but would be much more likely to confuse you. You will remember what you learn through your own observations much better than anything I could tell you. Go about it the right way and do the work yourself. I am very sure, however, that any intelligent observer who will take the pains to keep such a graphic and use it as a valuable auxiliary in making his diagnosis, will learn a few things he did not know before.

Strong Margin Position

From a margin standpoint the stock market is in an exceptionally strong position, according to investigations made by us, says the *N. Y. Financial News Bulletin*. Large margins are required, much larger than has been the custom. Outsiders are putting up ten, fifteen, twenty and twenty-five points in a large majority of cases. The number of stop loss orders under current prices is comparatively small.

Market Statistics

	Dow Jones Averages		50 Stocks			Breadth
	12 Industrials	20 Railroads	High	Low	Total Sales	(No. issues)
Monday, April 12	86.73	95.67	69.05	67.56	878,900	202
Tuesday, " 13	87.56	95.89	70.01	68.06	1,185,100	194
Wednesday, " 14	88.27	96.16	70.03	68.72	1,055,900	189
Thursday, " 15	88.67	96.26	70.72	69.15	1,242,100	205
Friday, " 16	89.25	96.47	71.61	69.80	1,145,900	195
Saturday, " 17	90.43	97.10	71.79	70.82	679,100	174
Monday, " 19	88.80	97.72	72.96	70.53	1,410,300	221
Tuesday, " 20	90.01	98.75	71.70	69.52	1,247,100	176
Wednesday, " 21	89.54	98.45	72.74	71.10	993,200	193
Thursday, " 22	89.26	97.91	72.14	70.88	705,400	189
Friday, " 23	89.39	97.58	71.83	70.70	624,400	181
Saturday, " 24	89.84	98.09	71.93	71.02	451,100	160

How to Detect Distribution of Stocks

The Characteristics of a Culminating Market

By G. C. SELDEN

(*Continued from issue of April* 17.)

ONE of the most easily noted characteristics of distribution is a great increase in the public interest in the market. Brokerage houses where formerly only a scattering attendance was to be found, become crowded with customers. Private wires over which inconsequential gossip previously formed a large part of the business, are clogged with orders to buy and sell—mostly to buy. Newspaper readers who had been paying slight if any attention to the financial columns, now turn first to the stock table and feverishly absorb the gossip which surrounds it.

The noticeable thing about the people who swarm around the tickers at such a time is that they are for the most part speculators purely—if indeed we are not to say gamblers. They are looking for instantaneous results. Amalgamated Chicken Farms went up ten points yesterday—now what will go up ten today? How about Wooden Nutmeg preferred? That has not moved yet. Will the lightning strike it today?

Perhaps prices are getting to a high level, but that doesn't matter if only they are going still higher. The buyers who are in a majority at such a time care little about intrinsic values. What they want is immediate profits. Very likely they have been getting them and are now pyramiding on those same profits, along with what other money they have at command.

CHARACTER OF THE BUYING.

It is highly probable that an observing man could work out a "system" of operating in the market based entirely on the character of the buyers at different planes of prices. At low prices he would find that buyers were men of a cautious temperament; that they devoted a good deal of attention to the earnings and standing of the stocks they were thinking of buying; that when they did finally reach their conclusions and buy, they had plenty of money to put behind their purchases. These men would not all be wealthy, by any means. Many of them would be buying odd lots, ranging from one to fifty shares. But nearly all of them would be *relatively* well-to-do in proportion to the amount of their purchases.

There is a tradition in the Street of the old farmer who never appears until a panic, when stocks are at bottom prices, and then drops in, pulls out an ancient wallet, unwraps the strap from it, and abstracts from it fifty one-hundred dollar bills, which he passes to the cashier accompanied with buying orders. Then, according to the story, he disappears, taking his certificates with him, not to be seen again until everything is booming and prices of his stocks are near the top, when he sells out and retires into the seclusion of the country.

Since all sorts of people turn up in Wall Street at one time or another it is probable that the gentleman with the wallet is not entirely fictitious, but I have never seen him myself and it is safe to say that the great majority of the denizens of the Street have been equally unfortunate. The old farmer is now little more than a newspaper tradition, useful to fill space; but a large number of investors are still animated with a similar spirit, although their methods are more modern.

Occasionally an epidemic of bargain-hunters breaks out in the Street—men who buy small lots of stocks for cash and take the certificates away with them. This is usually after a panic. These men have learned from experience that the man who buys in a panic and hangs on to his stocks will eventually be able to sell at a profit, if his stocks have been selected with any sort of reasonable care.

This kind of buying does not necessarily mark the bottom. These buyers know well enough that they cannot buy at the lowest prices—what they are trying to do is to buy at low prices.

At a low range of prices conservative buyers predominate in market operations.

As prices rise, the character of the buying gradually changes. With every advance of five points in the prices of stocks, the average buyer becomes less and less conservative. The higher prices go the more buying there is on margin and the less for cash.

During the early stages of a bull market there is still a large proportion of cash buying and where purchases are made on margin there is likely to be plenty of money behind the stock bought. The money may be in the hands of the broker or the customer may keep it in his bank ready to use when needed, but it is available somewhere.

As rising prices continue a different class of buyers is attracted. The bargain hunter disappears. He is merely holding his stocks and waiting for the period of distribution. He may not call it by that name, but that is his real thought.

The buyer on big margins is still in the field in large numbers. He is picking up stocks on reactions and is making careful selections. He realizes that the bargain period is past but believes stocks are still low enough to be safe with plenty of money behind them. He is following the trend.

At length, as prices mount still higher, "the public" begins to come in. By "the public" Wall Street means, in this connection, outside speculators who are buying in the hope of an immediate profit—not because they think stocks are cheap.

At this stage of the bull movement buyers become much more numerous. The man with $5,000, $1,000 or even $100 and a speculative turn of mind is beginning to feel the itch for quick profits.

The market becomes much more active, not only because there are more buyers but because each buyer is, on the average, taking on more stocks in proportion to his capital. Five thousand dollars will buy only 50 shares of stock outright at par, but it will furnish a ten-point margin on 250 shares or a five-point margin on 500 shares. This means more business and brokers are happy because they are getting more commissions.

It is human nature to feel optimistic when you are making money; hence both brokers and their customers begin to see the world in a rosy light. Most of the brokers have been right on the market during the upward trend, so their customers are ready to follow advice which has been making money for them right along.

THE BROKER'S POSITION.

Brokers are blamed by the public for always being "bulls at the top." From a certain point of view this blame is justified, but it is softened by a full understanding of the situation. It must be remembered that the broker never *knows* what prices will do and his judgment is warped by the apparent strength of the market just as his customer's is. Moreover, if he gives bearish advice at such a time and proves to be wrong, his customers will never forget it. The public will forgive any market adviser for being bullish in a bear market but will never overlook it if he is bearish in a bull market.

Nine-tenths of the broker's customers are constitutional bulls and look at the market solely from the buying side. If they buy stocks on the broker's advice and have to carry them through a ten-point decline, they will still be well satisfied if they finally come out with a profit; but if they sell out their stocks and then the market advances another ten points, they are almost heart-broken, even though they may have made a good profit before selling.

The successful broker has to be a student of human nature as well as of the market and it is a difficult straddle to make without tearing something. If you will honestly try to put yourself in the broker's place you will have to admit that under such circumstances you would not advise customers to sell out—to say nothing about selling short—until you felt practically sure that the bull movement was over. And who can be sure? The wonder is that so many brokers are able to keep their mental balance and to counsel conservatism when they know that they are acting directly contrary to their own pecuniary interest at the moment, and that even then they *may* be wrong.

The character of the buying, then, is well worth studying. It is easily diagnosed by the man who is in direct

touch with the Street and even the man who gets all his information from the printed page can soon learn to size up the situation with a fair degree of accuracy. No one can find the bottom or the top of the market by that method, but any one can learn to form a pretty sound judgment as to whether prices are relatively high or relatively low.

As a rule, it is only when it is near the bottom or the top that the market gets on the front pages of the newspapers. The ordinary behavior of the market is not news, except for the routine comment of the financial page. It is only when something extraordinary happens that the general reader becomes interested.

This is especially true at high prices. Then the public is in the market and editors know that a great number of readers are greedily devouring financial news. Such head-lines as "Fourth Million Share Day in Stock Market," with the usual line of talk about an "old-fashioned bull market," "old-time buying enthusiasm," and so on, are a warning to the investor that prices are getting up to a relatively high plane. In the same way a head on the front page reading "Panic in Wall Street," with stories of plunging prices and fortunes lost, serves notice on the shrewd reader that stocks are being sacrificed for less than their real value.

BUYING OF POOR STOCKS.

The character of the buying is also shown by the class of stocks in which the most business is being done. When the cautious investor is doing the buying he will naturally buy investment stocks. At a low plane of prices there will be relatively few transactions in United Cat & Dog preferred. Buyers at that time have little use for the stocks which have nothing but prospects—and those, perhaps, either behind them or so far ahead that they can scarcely be discerned with a telescope.

It is very different at the top of a big bull market. Then the Street and the brokerage houses all over the country are full of people who know little and care less about the real value of a stock. They are buying because they "are told" that the stock is slated for an advance. And, of course, the cats and dogs do go up at such a time and there is money to be made in them by the few who get in right and get out right. It is the time when tips make good because there are enough people willing to follow a tip so that their buying will make it good. Smith buys at 30 because he thinks he can sell to Jones at 32, and Jones buys because he hopes to sell to Brown at 35. Evidently there has to be an end to this process somewhere. If it happens to end with Brown he may find that the best bid for his stock, after the excitement is over, is 28, and even that bid may be jerked from under him when he tries to sell.

The result of this kind of buying shows plainly enough in the stock list. Stocks which everybody knows have no value except extremely distant and doubtful prospects, suddenly take on new life and quotations for them bound upward as though a melon were at hand.

Our old friend the "conservative investor" looks on and says:

"I can't see any sense in it—but there is the price and somebody is paying it."

Perhaps he even becomes infected with the gambling spirit and buys too.

Of course all this has to end. Eventually it becomes a race to see who can get out first. And the man who has the money at the end of ten years is the one who looks upon all this speculative excitement merely as a warning that it is time to close out his holdings and wait for a cooler atmosphere.

(*To be continued.*)

Technical and Miscellaneous Inquiries

A Ten Stock Average.

H. S.—Ten stocks suitable for a "Trend Indicator" are:

Amalgamated Copper,
Smelting,
St. Paul,
Lehigh,
New York Central,
Reading,
Northern Pacific,
Union Pacific,
U. S. Steel,
Southern Pacific.

Transfer Tax.

If a holder of 100 shares of Ches. & Ohio R'y Co. (in one certificate) wishes to sell five shares out of this certificate would he have to pay the federal and state transfer tax (of four cents each share) on the five shares sold, or upon the entire 100 shares, the balance of 95 shares being transferred back to owner?—M. P.

You would not be compelled to pay the transfer tax on the shares taken out of your larger certificate and retained by yourself. The shares sold would be the ones taxed.

"Seller 20."

What is meant by "Seller 20" in connection with bond sales?—T. B.

The expression "Seller 20" means that the seller will deliver the bonds in twenty days and not on the next day as is the usual custom.

Trend Letter.

L. D.—In a general way our advice is, in following the Trend letter, to either confine yourself to the stocks we recommend or to other high grade active investment issues. We find that in the long run the best results are obtained by trading in this class of stocks.

Active Trading.

In narrow markets such as the present, is it not more profitable to get in and out frequently than to take a definite bull or bear position?—E. C.

It is the almost invariable experience of traders that in the long run they can make more money by taking a position and adhering to it than by trying to catch the small fluctuations. We remember talking to a member of the Consolidated Stock Exchange some time ago, who had been for years trading for himself on the floor of that exchange. He accepted the management of an account for an aunt, and wishing to be conservative, handled it for the long pull instead of making the same trades for her account as he made for his own. At the end of a year he was surprised and chagrined to find that he had made much larger profits in proportion for her account than he had for his own. He had every advantage for "scalping." He was an experienced trader, a member of the exchange so that he did not have to pay commissions. He spent most of his time on the floor, and yet that was his experience.

This is a line of business that requires a good deal of patience. We know of no way to get profitable results without it.

Tape Reading—Odd Lot Execution.

I am trying to read the tape these days. I have a deposit of about $1,500 with my brokers. Do you think, with that amount of margin, I am justified in handling hundred-share lots? At any rate, I have done so part of the time.—R. B.

We think it would be safer for you to keep about 30 points margin on your trades during experiments in tape reading. After you have been at it a year or two, and know pretty nearly what you can do, you may be able to reduce this margin.

The loss on execution of odd lot orders is more apparent than real, because the odd lot is not quoted. For example, if you buy 100 Copper and the order is executed at 73¼, this 73¼ appears on the tape, so that there can be no question about your getting the market price because you have made the market price yourself. If, instead of 100 you had bought 50 and the order was executed at 73¼, the last sale having been, let us say, 73⅛, you would then feel that you had lost ⅛ on the execution.

If this fact is borne in mind, that the 100-share lot makes its own price on the tape, while the odd lot does not, you will find that the difference in execution is very slight—certainly not more than 1/16.

If you cannot succeed in making a profit at tape reading while trading in odd lots, it is not at all probable that you could succeed by trading in 100-share lots.

We Aim to Make It the Best

I fully appreciate the value of The Magazine of Wall Street, and consider it the best magazine in its line that is published in the world today.—F. S.
The Magazine of Wall Street.

Your communication to my reply regarding the "Stewart Mining Company" has been received, and I desire to express to you my sincere appreciation of the thoroughness and courtesy of your prompt and exhaustive reply. —F. J. F.

Cause of Cotton Advance

By C. T. REVERE

COTTON continues to show impressive steadiness, although there is a disposition throughout the trade to consider the market a two-sided affair around the 11 cent level for the new crop months. During the past month prices have advanced still further and at the high prices reached on the 22nd instant, the market had registered the phenomenal rise of 320 points from the low level reached on December 11, when the trade became demoralized by the government estimate of 15,966,000 bales, exclusive of linters. Since that time a final census report has been issued giving full confirmation to the forecast of the Department of Agriculture, but prices have continued to rise.

Manifestly, therefore, the strength of the market has not been due to any downward revision in crop ideas. The full estimates have been thoroughly corroborated and the crop of last season is known to have been the largest on record. Probably the trade never will know how large the actual growth was, as thousands of acres in West Texas were never thoroughly picked, owing to the scarcity of labor.

In order to explain the recovery of more than three cents per pound it is necessary to examine into certain aspects of demand. During the period of pessimism which existed in the early autumn, while it was assumed that American mills would absorb 6,000,000 bales or more, the largest estimates of exports were not in excess of 5,000,000 bales. Already with fully three months of the season still be be considered, the exports are 7,200,000 bales; the takings of American and Canadian mills are approximately 4,900,000 bales, making a total of more than 12,000,000 bales. Figuring on a crop of 16,645,000 bales, including linters, as reported by the Census Bureau, there remain, therefore, approximately 4,500,000 bales at the ports, interior towns and in the hands of the farmers.

It seems a most conservative calculation to figure that fully 2,000,000 bales will be required for exports for the balance of the season and for the requirements of American and Canadian mills. This absorption of 14,000,000 bales, however, does not necessarily furnish a gauge for consumption. Allowance must be made for depleted stocks in the mills of Russia, Austria, Germany and, if report is to be credited, among the mills of Great Britain also. The deficit under last year at the end of the season probably will be at least 1,000,000 bales.

In other words, there is an indicated consumption of approximately 15,000,000 bales. This calculation may be regarded by many as excessive, but it has good basis.

It is possible that the consumption of cotton for spinning and weaving may range between 12,000,000 and 13,000,000 bales. This would be a falling off of approximately 3,000,000 bales from normal, allowing for the usual annual increase in the consumption of cotton.

Other factors directly resulting from the war have been largely responsible for the tremendous increase in the use of cotton. The largest item, of course, is the use of the staple for making propulsive ammunition. In explosive ammunition, such as is used in shells and torpedoes, which consist largely of chemicals, cotton is hardly a factor in this field.

Ordinarily about 125,000 bales of cotton (linters) are used in the manufacture of smokeless powder and gun cotton in the course of a year. When one figures that approximately 4,500 bales of cotton were shot away in the form of smokeless powder in the naval engagement in the North Sea which resulted in the sinking of the "Bleucher," some idea may be obtained regarding the destruction of cotton in the present war. A battery of six field guns, such as are employed by the French, when in action, consume 240 pounds of cotton per minute and there are several thousand of these batteries along the western battle front.

In a statement made a few days ago in the House of Commons, Lloyd George stated that the British used more ammunition in the battle of Neuve Chapelle in March than they used during the whole Boer war. Sir William Ramsay and other British scientists have urged that cotton be placed on the contraband list, because Germany and Austria were using half their normal annual imports, or approximately 1,250,000 bales for the manufacture of ammunition. The Allies are using considerably more ammunition than this, and it would seem, therefore, that an estimate of 3,000,000 bales for these purposes was not far out of line. As a matter of fact, the writer has excellent authority for the statement that contracts already entered into up to October 1 next call for the use of fully 3,000,000 bales of cotton for smokeless powder.

It looks, therefore, as if the demands made by war on the cotton crop had fully offset the falling off in the normal requirements for the staple. This feature largely furnishes the explanation for the rise in the price. If this abnormal demand should coincide with a radical reduction in acreage, as now seems possible, cotton may easily go to still higher prices before the season is over.

In the next issue will appear an article by P. S. Krecker on "How to Trade in Wheat Privileges." Also, "When to Buy Cotton," by Julius J. Strasburger.